THE TICKER

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The Powers Behind the Market

II. The Large Operators

By ROLLO TAPE

IN referring to the Large Operators we will include those not in any way representing banking interests, but who work chiefly for their own pocketbooks, excepting at such times as they may be employed by some of the higher "Powers."

THE GOULDS.

George Gould is prominent in this respect—perhaps, also the most independent of the lot—for has he not, single handed, attempted a coast-to-coast line and an invasion of Pensylvania's territory? It is to Wall Street he must turn for capital wherewith to build; this means that he must sell his securities in that mart, to investors and speculators.

Does he keep up a constant manipulation of his stocks in order to accomplish this? By no means.

Nevertheless the Gould faction is frequently accused of playing with its securities so that the outside speculator has no chance whatever in them. As will be shown, there is little ground for such an opinion.

The trouble with the Gould stocks dates way back to the time of Jay Gould, when "The Little Wizard" rigged the market to suit himself. The public was then his football and the unscrupulous treatment dealt out during his reign has never been forgotten. In recent years also we are occasionally treated to some highly manipulative tactics in Missouri Pacific and other prominent Gould stocks—not so much now as formerly.

The way it used to be worked was this: George Gould personally, or perhaps with the co-operation of Frank, Howard and Edwin, and with Butler Brothers as their brokers, would accumulate on weak spots a considerable portion of the floating supply of Missouri Pacific. When general conditions favored, the stock would be worked up several points, so quietly as to attract no attention. If a general rise was in progress they would wait until Union Pacific, Reading and the other leaders got through (that is, when a point was reached where they "bulled hard"), and at this psychological moment Butler would become very active in Mop, bidding it up two or three points and attracting wide attention. When the objective point was reached, Butler would be found bidding for big lots, while his brokers were filling all *other* bids.

Here was a case in which a stock was flagrantly worked by insiders as opposed to the public.

This trick was turned so often that it resulted in the floor traders "getting on," after which they had only to "cop-

per" Butler in order to reap handsome profits; the public became disgusted and went into other stocks. Thereafter new methods were employed—the same game is still practiced under various disguises.

Let us bear in mind, however, that we are searching for the bogie who rigs *the market,* not denying, meanwhile, that others beside the Goulds take a hand at influencing the prices of their respective stocks. Incidentally, we might remind ourselves that without the public, manipulation by insiders would be futile. If there were no outsiders predisposed to buying on bulges and selling on breaks, to whom could the insiders sell or from whom could they buy? Certainly not each other.

With no public there could be no game, but, as we hope to show later, there are times when the public becomes the insider, and the so-called insiders are left in the lurch or swept off their feet.

The principal Gould stocks, beside Missouri Pacific, are Wabash, Denver & Rio Grande, Texas Pacific, Western Maryland and Colorado Fuel.

Chicago Great Western is, by some, erroneously considered a Gould stock, but the ruling spirits in that unfortunate property were not Gould people; the manipulation was conducted from the office of Connor & Co.

The Gould family's speculative tendencies occasionally find an outlet in other stocks beside their own, but in the main their operations are confined to the securities with which they are identified.

Some of the younger boys—Frank, Howard or Edwin Gould—may be impressed with the increasing earnings of one of their properties and buy a considerable line of the stock. This may be bought "at the market" or carefully "when offered"; after it is bought, some manipulation may be employed to help things along. The campaign may extend over several months, and when the line is closed out it will be at a price which fully discounts all the good news and some more.

Meanwhile, there is no juggling for eighths and quarters or "milking the public." To be sure, appearances are against the Goulds in this regard, but it seems to me that this jockeying of fractions, to which we previously referred in our series on "Manipulation," is due to neglect rather than to any desire on the part of the Gould family not to give outsiders a square deal.

All well informed people will agree that the Gould issues are, as a rule, inactive—most of them very inactive. When speculation in a stock is light, and the insiders are neglecting it, the market is left to drift about subject to the tendency of the general list, and with no one in the crowd but the specialist. The market in such a stock becomes narrow and the quotations wide. Our assertion is not paradoxical: A narrow market is one which a few hundred shares will swing either way; wide quotations refer to the difference between bid and asked prices.

When a stock is in this position on the floor the specialist becomes temporarily the bogie man. He plays for fractions in a hungry fashion which soon convinces the public that it has no show at all in that particular stock. Even a beginner at the game won't stand having the candy snatched away more than a few times before he begins trading in another issue. And when he waxes sore over his treatment you may depend upon his advertising it right out loud before all the other traders in the office. So the bogie in such instances is killing his own chances and the end is worse dulness and further neglect.

As president of the Colorado Fuel and Iron Company, George Gould has the inside track on another highly speculative medium—a favorite with the public, owing largely to its rapid and spectacular moves. "You can make a barrel of money in Fuel, if you hit it right," is an expression frequently heard among the semi-professionals. Hitting it right consists in getting long just before Fuel starts skyrocketing (or *vice versa*). No other stock will so try the patience of a trader as this one; yet the manipulation is very easy to follow in its initial stages. The Gould party spends long months in getting ready to move Fuel, and once touched off, may run it up ten or twenty points before allowing the shorts time for breath. But they are not rigging the market for it continually.

JAMES R. KEENE.

Mr. Keene is getting pretty well along in years and cannot for a moment be considered as active and potent a factor as he was five years ago. At present he is simply a trader, frequently giving orders for less than five hundred shares of stock at a time, though of course larger lots predominate in his operations. By his own admission he cannot dominate prices as he did in former periods. Issues of stock which totaled thirty or forty millions years ago now run into the hundreds of millions; the number of issues has increased; traders on the floor swing tremendous lines. For Mr. Keene to stand in the same relative position as he formerly did, he would require a capital upwards of $100,000,000 and the privilege of bathing in the fountain of eternal youth.

Mr. Keene is not engaged in plucking plumage from financial goslings and ganders. At his office in the Johnston Building he is to be found nearly every market day. Things are seldom so pressing that he cannot go down to the track for the purpose of seeing some of his horses run. He trades in large and small lots of the active stocks—Union Pacific, Reading, St. Paul, or any of the rest; he frequently buys too soon and sells long before the top is reached; he makes the same mistakes as you, or I or any one who plays a game which is not an exact science. Owing to his wide experience, his errors are not, perhaps, so many or so costly as yours and mine. His big money was made in deals of which he was the engineer. These are comparatively infrequent nowadays and if you ask him whether he is active in the market, he will reply: "No; I'm just doing a little trading."

Nothing rouses the old gentleman's ire more than to be dubbed "A Manipulator." At this he will boil with rage and demand: "Who do you think I am?—Lawson?"

The speculative instinct is so deeply implanted in Mr. Keene's cosmos that we question if he will drop the tape as long as he lives. Meanwhile, not even his worst enemy could justly claim that "the man behind the market curtain" operates from the northwestern corner of the fifth floor of 30 Broad street.

JOHN W. GATES.

John W. Gates is not at present active in the market, but while on the subject, we might consider some of his methods.

"Bet-a-million" Gates first loomed large on the financial horizon with the American Steel and Wire proposition, which in due course was floated, boomed and unloaded on the public. After this interesting process was completed, certain heavy lines of short stock were spread out, the subsidized press meanwhile keeping up an incessant chorus of "Big Earnings," "Increased Dividends," "Deal Coming," "Stock to be Listed Abroad," etc., etc. When all was ready the following incident occurred at the Waldorf one Sunday evening in the Spring of 1900:

Two bankers stood in the corridor, discussing the financial situation. A group of burly-looking chaps strolled along. One of the bankers said to his friend:

"If you will excuse me for a few moments, I should like to see these fellows."

The other, watching, saw him shake hands all around, after which they adjourned to the café. In a little while the banker, returning, said to his friend:

"Did you recognize them?"

"No," was the reply, "I did not."

"That was —— ——, and the rest of the 'Western Steel Crowd.' They tell me all their mills will be closed to-morrow."

"What's the matter—business falling off?"

"No. They're all short of the stock!"

Surely Mr. Gates was the bogie man in Steel and Wire, as those who bought above 60 and sold at 30 found to their sorrow. He also had something to do with the Chicago Subway Punch-and-Judy Show and sundry other deals in which the same tactics were discernible. But there is this to be said as to why the public need not be frightened at Gates and his ghost walks: John W. is tremendously energetic by nature, and whenever this strenuousness is being publicly displayed, the Street may rest

assured it is not for philanthropic reasons.

As for his pulling the wires of the whole market when he is in the field, it is hardly likely that the other "Powers," some of whom considered him ineligible to directorship in the U. S. Steel Corporation, would place the generalship of the market in his hands.

As the dynamo of one of Wall Street's large commission houses, however, Mr. Gates was a factor in creating activity and wide fluctuations. He is a good gambler and his sloshing around did more to create an active, traders' market than any other single individual's operations. His return, on this account, would be welcomed; for stocks must fluctuate, else no one can make money.

THE GUGGENHEIMS.

The Guggenheim family are to be reckoned with in this investigation, but only in connection with their own stocks —the king pin of which is "Smelters." The Guggenheims are engaged in the business of mining and smelting metals, which industries, they claim, should be differentiated from the promotion of holes in the ground, the capitalization of hope and other pursuits characteristic of certain mining (?) people. That is to say, Guggenheim Exploration should not be considered a Guggenheim Exploitation—a fine distinction is to be made.

There is nothing hoggish about the way Smelters has been handled. When it was selling in the thirties, a few years ago, the family told all their friends to buy, and some of those who did so made millions. Dividends were promised and they materialized. Increased rates were predicted and were paid.

When the Smelters was paying 5 per cent. Isaac Guggenheim used to shout from the housetops that it would shortly go on a 6 per cent. basis. Later, when the rate was made 7 per cent. no could say he had been deceived—the family had more than made good.

There are people in Wall Street who look askance at the Guggenheim's record in connection with the floatation of Nipissing, but the fact is, they suffered a tremendous loss in that deal. The balance of the 140,000 shares which they took on their option during the boom was closed out last January at a shrinkage running well into seven figures. Whatever their true reason for deserting the ship when she was on the crest of the wave, no one can blame the Guggenheims; by their own loss are they exonerated.

Smelters is a hard nut for the shorts to crack and many a time have they been run in. Beyond this one cannot see that the Guggenheims are in any sense juggling things to the detriment of the public. In fact, insiders who take people into their confidence and more than make good, represent a new school of Wall Street operators.

(*Continued in October* TICKER.)

Government Crop Reports

How Compiled—How Distributed—How Leaks Are Guarded Against

By CHARLES C. CLARK, Acting Chief, Bureau of Statistics*

THE organization of the Bureau of Statistics of the Department of Agriculture includes a Statistician and Chief of Bureau, an Associate Statistician, an Assistant Statistician, and a Chief Clerk.

There are three divisions, the Division of Domestic Crop Reports, the Division of Foreign Markets, and the Editorial Division and Library, each of which has a chief of division reporting directly to the Statistician.

The first provision for the collection of agricultural statistics by the Department of Agriculture was made by Congress in 1863. At that time and a few years later the United States was entering upon a period of rapid development of agricultural and commercial resources on a large scale, and there was felt to be an essential need by different branches of business for the collection and dissemination of additional information. The amount of capital then invested in lands and farming implements was about seven billions of dollars; now it is nearly twenty-eight billions.

Foreign countries depend to a large and increasing extent upon the United States for agricultural products. To meet the market demands at home and abroad is the mission of American agriculture. The manufacturer, the merchant, the mechanic, the skilled operative in the factory, in fact, all who consume the products of American agriculture, whether at home or abroad, feel interested in the monthly reports of conditions on the farms of the United States.

Statisfical information concerning crop production and live stock that is collected by the slow and exact methods of a census is generally not given to the public until after the crops enumerated are harvested and marketed and the immediate interest in it has passed away. Prices of agricultural products are primarily governed by the law of supply and demand; therefore early information concerning the supply is of value to all. Those who produce and those who consume are vitally interested as well as the dealer who stands between them. The relations and mutual interests of agriculture, manufacture, and commerce demand that there should be published at brief intervals during the crop season reliable information on the condition, acreage, production, and value of the principal crops, by States and agricultural areas.

As commerce consists largely in an exchange of the products of agriculture and manufacture among their respective producers, commerce thrives as the farmer and the factory operative prosper. Some individuals, however, do not always regard the common welfare, and injurious commercial speculations occur when ignorance prevails concerning the condition of our crops and the true relations of supply and demand. At such times the farmer often does not obtain just prices, while the consumer derives no benefit and business is injuriously affected. The consequences of false reports concerning the condition, and prospective yield of the cotton crop alone may be very injurious. If there were no adequate Government crop-reporting service, and by misleading reports speculators should depress the price a single cent per pound, the growers would lose $60,000,000 or more; if the prices were improperly increased, the manufacturers and allied interests would be affected to a proportionate degree. All interests therefore demand that the true condition of crops should be made known promptly, and harmful speculation discouraged.

It was to remedy these evils and to subserve and protect the interests above

* From Annual Report Department of Agriculture.

noted that Congress provided for issuing monthly crop reports. From an allotment of a few thousand dollars each year at first, the crop reporting service has been evolved, perfected, and enlarged into the Bureau of Statistics of this Department, and the total cost of such service from its institution down to date has been about three and a half million dollars. Thus for forty-five years the total cost of this service has been less than one-third of the amount required to take the last census of the United States; yet the consequent protection to the farmers alone has been of incalculable value.

The first enactment authorizing the collection of agricultural statistics by the Department of Agriculture was the act establishing the Department, passed May 15, 1862, "the general design and duties of which shall be to acquire and to diffuse among the people of the United States information on subjects connected with agriculture, in the most general and comprehensive sense of that word." The Commissioner was required by this act to "procure and preserve all information concerning agriculture which he can obtain by means of books, correspondence, and by practical and scientific experiments, accurate records of which experiments shall be kept in his office, by the collection of statistics, and by any other appropriate means within his power."

The Bureau of Statistics issues each month detailed reports relating to agricultural conditions throughout the United States, the data upon which these facts are based being obtained through a special field service, a corps of State statistical agents, and through a large body of voluntary correspondents composed of the following classes: County correspondents, township correspondents, individual farmers, and special cotton correspondents.

The special field service is composed of seventeen traveling agents, each assigned to report for a given group of States. They are especially qualified by statistical training and practical knowledge of crops. They systematically travel over the districts assigned to them, carefully note the development of each crop, keep in touch with best informed opinion, and render written and telegraphic reports monthly and at such other times as required.

There are forty-five State statistical agents, each located in a different State. Each of these reports for his State as a whole, and maintains a corps of correspondents entirely independent of those reporting directly to the Department at Washington. These State statistical correspondents report each month directly to the State agent on schedules furnished him. These reports are then tabulated and weighted according to the relative product or area of the given crop in each county represented, and are summarized by the State agent, who coördinates and analyzes them in the light of his knowledge of conditions derived from personal observation and other sources, and prepares his monthly and other written and telegraphic reports to the Department.

There are approximately 2,800 counties of agricultural importance in the United States. In each of these counties the Department has a principal county correspondent who maintains an organization of several assistants. These county correspondents are selected with special reference to their qualifications and constitute an efficient branch of the crop-reporting service. They make the county the geographical unit of their reports, and after obtaining data each month from their assistants and supplementing these with information obtained from their own observation and knowledge, report directly to the Department of Washington.

In the townships and voting precincts of the United States in which farming operations are extensively carried on the Department has township correspondents who make the township or precinct the geographical basis of reports, which they also send directly to the Bureau of Statistics each month.

Finally, at the end of the growing season a large number of individual farmers and planters report on the results of their own individual farming operations during the year; and valuable data are also secured from 30,000 mills and elevators.

With regard to cotton, all the infor-

mation secured from the foregoing sources is supplemented by that furnished by special cotton correspondents, embracing a large number of persons intimately concerned in the cotton industry, and, in addition, inquiries in relation to acreage and yield per acre of cotton are addressed to the list of cotton ginners through the courtesy of the Bureau of the Census.

Eleven monthly reports on the principal crops are received yearly from each of the special field agents, county correspondents, State statistical agents, and township correspondents, and one report relating to the acreage and production of general crops is received during the year from individual farmers.

Six special cotton reports are received during the growing season from the special field agents, from the county correspondents, from the State statistical agents, and from township correspondents, and the first and last of these report relating to the acreage and proindividual farmers, special correspondents, and cotton ginners.

The general reports for January and February are combined on one schedule and relate to the number and value of farm animals.

The general report for March relates to the stock of grain in farmers' hands, the distribution and consumption of corn, wheat, and oats, and the average weight per bushel of wheat and oats.

Reports on the condition of the crops of the year begin with the April report, when the condition of winter wheat and rye is dealt with, prevailing diseases of farm animals, and losses from disease and exposure.

The report for May comes at a time when few of the crops are sufficiently advanced for their condition to be reported upon; consequently the inquiries relative to condition apply only to winter wheat, rye, meadow mowing lands, and spring pasture. This schedule also deals with the portion, if any, of the original acreage sown to winter wheat for any reason has been or will be abandoned, and contains inquiries with regard to farm labor and tenants.

The schedule for June deals with the acreage of six crops, the most important of which is spring wheat. It also covers the condition of wheat, oats, barley, rye, clover, spring pastures, apples, peaches, and rice.

The July schedule deals with the acreage of corn, potatoes, tobacco, and sugar cane; the stocks of wheat in farmers' hands; the average condition of all the principal crops, fruits, and spring pastures, and the average weight of wool per fleece.

The August schedule deals with the average yield of winter wheat per acre, acreage of buckwheat and hay, the condition of the principal crops, the quality of clover hay, and the stocks of oats in farmers' hands.

The September schedule deals with the condition, when harvested, of wheat, oats, barley and rye; the acreage of clover seed; the production of peaches, and the number and condition of stock hogs on hand for fattening.

The October schedule deals with the average yield per acre and the quality of spring wheat, barley, oats, rye and hops, and the condition of corn, potatoes, sugar cane, tobacco, rice and apples.

The November schedule deals with the average yield per acre of corn, buckwheat, potatoes, hay, tobacco and rice.

The December schedule deals with the production and farm prices of all the principal crops, and the acreage of winter wheat and rye sown for the crop of the following year, and also with the condition of winter wheat and rye.

In addition to the foregoing the reports during the past two years have been extended to include condition figures of many small fruits, vegetables and minor products. Information in regard to such products has been urgently requested, and as a basis for comparison has now been satisfactorily established the reports are received with interest and favorable comment.

Previous to the preparation and issuance of the Bureau's reports each month, the correspondents of the several classes send their reports separately and independently to the Department at Washington.

In order to prevent any possible access to reports which relate to speculative crops, and to render it absolutely impos-

sible for premature information to be derived from them, all of the reports from the State statistical agents, as well as those of the special field agents, are sent to the Secretary of Agriculture in specially prepared envelopes addressed in red ink with the letter "A" plainly marked on the ends. By an arrangement with the postal authorities these envelopes are delivered to the Secretary of Agriculture in sealed mail pouches. These pouches are opened only by the Secretary or Assistant Secretary, and the reports, with seals unbroken, are immediately placed in the safe in the Secretary's office, where they remain sealed until the morning of the day on which the reports are issued, when they are delivered to the Statistician by the Secretary or the Assistant Secretary. The combination for opening the safe in which such documents are kept is known only to the Secretary and the Assistant Secretary of Agriculture. Reports from special field agents and State statistical agents residing at points more than 500 miles from Washington are sent by telegraph, in cipher. Those in regard to speculative crops are addressed to the Secretary of Agriculture.

Reports from the State statistical agents and special field service in relation to non-speculative crops are sent in similar envelopes marked "B," which go to the Bureau of Statistics, and are kept securely in a safe until the data contained in them are required by the Statistician in computing estimates regarding the crops to which they relate. The reports from the county correspondents, township correspondents and other voluntary agents are sent to the Chief of the Bureau of Statistics by mail in sealed envelopes.

The plan of intrusting the final preparation of reports to a crop-reporting board has been continued during the past year, and after two full years of trial it has been demonstrated that such is an excellent and satisfactory method. It relieves one man of the strain and responsibility, and secures the benefits of consultation and a consensus of judgment of men who have been on the ground.

The Crop Reporting Board is composed of the Chief of Bureau as chairman, and four other members, whose services are brought into requisition each crop-reporting day from among the statisticians and officials of the Bureau, and the special field and State statistical agents who are called to Washington for the purpose.

The personnel of the board is changed each month. The meetings are held in the office of the Statistician, which is kept locked during sessions, no one being allowed to enter or leave the room or the Bureau, and all telephones being disconnected.

When the board has assembled reports and telegrams regarding speculative crops from State and field agents, which have been placed unopened in a safe in the office of the Secretary of Agriculture, are delivered by the Secretary, opened and tabulated; and the reports, by States, from the several classes of correspondents and agents relating to all crops dealt with are brought together in convenient parallel columns on final tabulation slips; the board is thus provided with several separate estimates covering each State and each separate crop, made independently by the respective classes of correspondents and agents of the Bureau, each reporting for a territory or geographical unit with which he is thoroughly familiar.

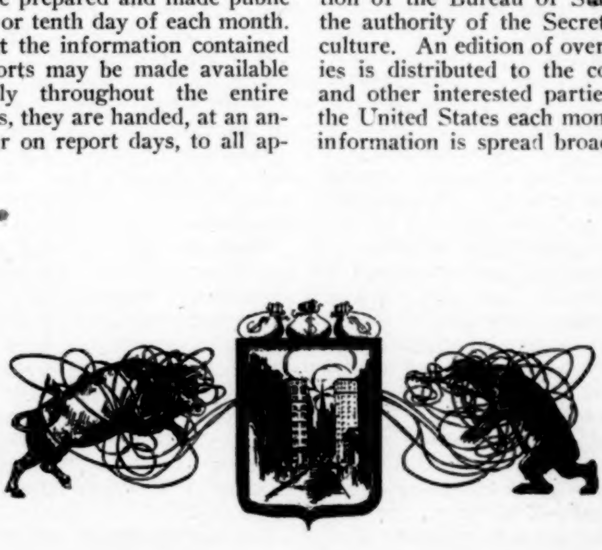
Abstracts of the weather condition reports in relation to the different crops, by States, are also prepared from the weekly bulletins of the Weather Bureau. With all these data before the board, each individual member computes independently, on a separate sheet or final computation slip, his own estimate of the acreage, condition, or yield of each crop, or of the number, condition, etc., of farm animals for each State separtely. These results are then compared and discussed by the board under the supervision of the chairman, and the final figures for each State are decided upon. It has been interesting to note how often the reports of the different classes of correspondents and agents are very nearly identical and how closely the figures arrived at independently by the individual members of the board agree. The estimates by States as finally determined by the board are weighted by the acreage figures for the

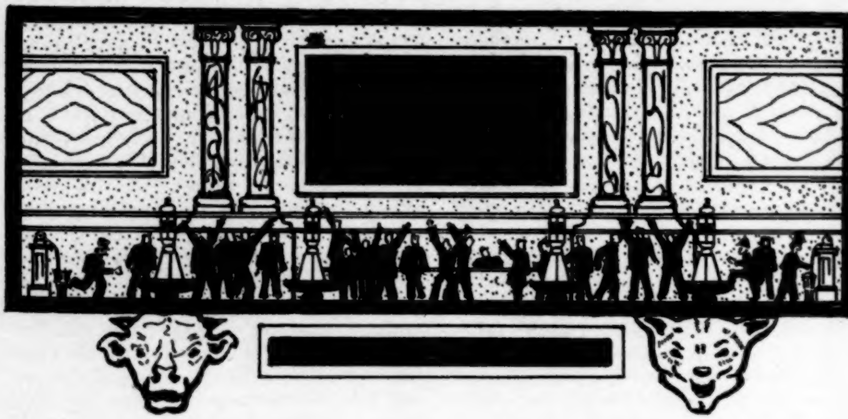
respective States, the result for the United States being a true weighted average for each subject.

There have been eighteen meetings of the Crop Reporting Board during the past year, in most of which the personnel has been changed each month. Six special field agents, specialists in their respective lines of statistical and crop knowledge, and eight State statistical agents have served in the different board meetings. Many of these men are widely known throughout the United States, and the practice of having them take part in the preparation of the monthly crop reports and estimates has proved highly satisfactory, and has been a great factor in establishing the confidence of the public generally throughout the country in the fairness and correctness of the Bureau's estimates.

Reports in relation to cotton, after being prepared by the Crop Reporting Board, and personally approved by the Secretary of Agriculture, are issued on the second or third day of each month during the growing season, and reports relating to the principal farm crops and live stock are prepared and made public on the ninth or tenth day of each month. In order that the information contained in these reports may be made available simultaneously throughout the entire United States, they are handed, at an announced hour on report days, to all applicants and to the Western Union Telegraph Company and the Postal Telegraph Cable Company, who have branch offices in the Department of Agriculture, for transmission to the exchanges and to the press. These companies have reserved their lines at the designated time, and forward immediately the figures of most interest. A mimeograph or multigraph statement, also containing such estimates of condition or actual production, together with the corresponding estimates of former years for comparative purposes, is prepared and sent immediately to exchanges, newspaper publications and individuals. The same afternoon printed cards containing the essential facts concerning the most important crops of the report are mailed to the 77,000 post-offices throughout the United States for public display, thus placing most valuable information within the farmer's immediate reach.

Promptly after the issuing of the report, it, together with other statistical information of value to the farmer and the country at large, is published in the *Crop Reporter*, an eight-page publication of the Bureau of Statistics, under the authority of the Secretary of Agriculture. An edition of over 120,000 copies is distributed to the correspondents and other interested parties throughout the United States each month. Thus the information is spread broadcast.





The Evolution of a Floor Trader

SOME years ago there appeared in one of the magazines,* a story by a member of the New York Stock Exchange, giving an interesting account of his experience.

Entering the speculative arena with $12,000 capital, during Joe Leiter's deal in wheat, he got in right and ran up a paper profit of $30,000. His broker, who had advised the original purchase of wheat, was a genuine friend; he strongly advised the trader to take his profits. As a result of sheer obstinacy, he was caught in the crash and in the end came out with a $5,000 loss.

This was a pretty hard swat for a novice, but in after years he realized it was the best kind of a lesson; for had he continued to make money at first, failure would have been more emphatic in the end. His early success deprived him of sound judgment, while adversity brought him to his senses.

In the stock market, his first ventures were limited, but luckily he bought on the eve of an advance so that some fair profits were realized.

Becoming a deep student of the market, he tried to determine the trend, and to learn the methods of the big manipulators.

He found that he would win one week and lose the next. Under the strain he contracted headaches, nervousness and irrritability. After six months' work he found that he had acquired a few operating principles and had made a further loss of $2,400.

His worst mistake (and he made many) was in failing to take losses. At critical points he was not only weak but cowardly. Often when he should have cut his loss short, his power of action appeared to be paralyzed. The folly of this was apparent later, when he was compelled to close out at a still greater sacrifice.

However, his luck changed and his hard work or dumb luck began to make a showing. Prices rose tremendously; and besides, he was fortunate enough to be hitched up with a firm of brokers whose partners and customers were recognized money makers.

More important than this, however, was the fact that at last he learned to take his losses easily and to let his profits run. From an experienced trader he learned to judge when the market was weak enough to buy and strong enough to sell. During this period he realized net profits of $60,000, and rather believed it more a matter of good luck than good judgment.

All through his Wall Street experience he had looked forward to the time when he might buy a seat on the New York Stock Exchange, and become a professional floor-trader. The advantages to be gained thereby were: He would have no commissions to pay and would not be obliged to follow the ticker, which, in active markets is often several minutes late. This would do away with delays in the execution of orders, which sometimes cost hundreds of dollars. Furthermore, he believed that a seat costing less than $35,000, was a good investment. With this amount tied up in a membership, his working capital would be reduced to $25,000.

As a result of his experience thus far, two lessons stood pre-eminent: First, He must stop trading if threatened with entire loss of capital.

Second, Unless risks were reduced, he knew that he could not continue to speculate successfully.

To quote his experience: "I was elected and initiated. It took me a year to learn to trade on the floor. Six months elapsed before I was able to stand on my feet in a crowd for five hours a day. The strain across my back and kidneys was intense. Often at three o'clock my legs felt as if each weighed a ton; and the feeling of the broken back, while it may sound amusing, was anything but a joke. Everything was new to me, including myself. When I was busy I had no time for lunch; often when I had the time I did not have the appetite. I managed to lose a fine appetite a fair digestion and considerable weight. I dearly love a cigar, but I gave up smoking. When busy I was intensely eager, and the strain meant a matter of crowding two days into one; when the market was dull, I fretted for a return of activity. I became more nervous and abrupt, and quieter. Other men were affected differently. They talked and drank more than was their habit."

Looking over the situation he carefully considered the methods employed by the various room traders. Some speculated just as outsiders—carrying their commitments for long or short pulls; others were scalpers of eighths and quarters, trading in one stock at a time; still another class traded all over the room and closed out everything before three o'clock daily.

Our friend decided to follow the latter plan as this would enable him to go home at night without any open trades, except under extraordinary circumstances.

He found this a very difficult matter, as he was frequently influenced by tips —some good, some bad; money was both made and lost thereby. Such influences made him lose sight of his original intentions, frustrated his plans and warped his judgment.

He also found himself handicapped by his poor voice. The dust from the floor seemed to get in his nose and throat, and choke him up. A clear, penetrating voice is of great advantage in a crowd of shouting brokers. This qualification is often valuable in bringing to him large and important orders.

There were times when he played in complete sympathy with the market—when it seemed as if he couldn't go wrong. It was then he would go with the tide and press his luck. At other times everything would go wrong. He would begin with a losing trade, and in an endeavor to recover, get in deeper and deeper. Experience showed him that it was a fine thing to know when to follow up an advantage, and when to quit a losing game early in the session.

Frequently he would make a splendid profit in the first half hour; again he would lose more between 10 and 10.30 than he could make back in the remainder of the day.

Panics he avoided. At such times he stood a chance of making large profits, but there was a proportionate risk which he preferred to avoid. Furthermore, there was at such times the possibility of doing business with a house on the verge of failure.

Many lessons were derived from his first year's experience. At first he enjoyed a number of consecutive days in which his profits would average $25 a day; then he would lose $100 on the fourth day, break even on Friday and stay home on Saturday. This was not very encouraging, as the interest on capi-

tal invested in his membership, Clearing House charges and salary of his clerk amounted to $25 per week.

He realized that his winning days must show greater profits than his losing days showed losses, or he would be obliged to quit. Obviously if he traded for eighths and quarters, he could not afford to take losses of three-eighths of a point.

(Here is an example for the office trader who stops his loss at two points and takes a point profit.)

Schooling himself to the necessities of the case, he learned to buy or sell and, if the stock did not go his way at once, he would close it out at the same price, or perhaps ⅛ better or ⅛ worse—he would get out of it anyway. He learned to make quick decisions, not to get rattled nor to deceive himself by over confidence in his own opinion.

After a year's struggle he was thoroughly tired out and discouraged. Many times he came to the conclusion that he had mistaken his calling and decided to quit. Once he did give it up for a fortnight.

While in this frame of mind, he heard someone repeat Jay Gould's three essentials of a successful speculator, viz.: First, Patience; Second, Patience; Third, Patience. He went at the game again, first summarizing the results of past operations as follows:

Number of trading days.
Number of profits and losses.
Average profits on winning days.
Average losses on losing days.
Total amount of profits and losses.
Net profit. (Very small.)

He then persuaded an experienced trader to look over the figures and advise as to the best course for future action. Anxiously he awaited the verdict.

After carefully considering the results, the elder man said:

"This is not so bad; at the same time it might be a lot better."

The young trader breathed a sigh of relief.

"I haven't any faith in first winners"; continued his adviser, "first winners are apt to be last losers. Do you remember young ———, of Chicago, who came about the same time as you did? He lost so much money that he had to sell his seat, and he bankrupted his father. He is a bond salesman now. Do you recall ———, the Jew? Well, one exciting day he got mixed up in T. C. & I. When he had his trades straightened out, his father had to take up and pay for a bunch of stock that he had bought when he wanted to sell. His father made him get out, too. It was cheaper to pay the son a salary. Do you remember ———, the young Californian? Well, he lost so much money in his first six months that his mother sent him to Europe to cut down his expenses. Now, you have done better than either one. Go ahead slowly, and don't overtrade."

Another trader said: "The men who last longest in this business are not those who make big and early winnings. I can count a half dozen plungers who have lost most of their money in a few years. As soon as a man thinks that he knows it all in this place, he has uncovered his weakest point. The lucky plunger, too, is apt to lose his health as well as his money. One of the cleverest traders we ever had made a million, but could not stand the strain of prosperity downtown when combined with the adulation he received uptown. He was a fine fellow and as strong as an ox, but one day they took him out of his office in a straightjacket and drove him to Bloomingdale, where he died. The biggest room trader of to-day once started to send up the price of Sugar when it was selling at 160 a few years ago, and when he got from under the wreck he walked financially lame for a year. Now he does not try to make prices; he is content to follow them like the rest of us."

Our young friend took a fresh start, and gradually acquired the rules of the game. Whenever he departed from his principles he experienced heavy losses.

He plunged on Atchison and was badly whipped. He had a tip to sell Copper short at 98 for a big break, based on a coming reduction in the dividend. The information came to him in such substantial form that he decided to make this "the" deal of his career. He sold it short from 98 up to 115, and at that point lost his nerve and covered all contracts.

He had given himself up to this deal—staked a bunch of money on the break which seemed bound to come, but the last straw which broke his backbone was a casual remark by an uninformed person.

This venture cost him one-third of his capital. The stock did go higher—to around 130—then it went to pieces and eventually sold down nearly 100 points. His experience had so exhausted his nerve that he was unable to follow it down when the information at last proved to be correct. As it was, his original trades would have made huge profits had he stood on them.

A valuable lesson as to the advantage of quick action and cutting losses was learned from another floor trader whose market judgment he highly regarded. In his own version: "Standing at the ticker, the little Jew remarked: 'It looks as if St. Paul would go up.' He walked over and bought 500 shares. "If he can buy 500," said I, "I must have 100." I bought it and walked back to the ticker. In less than two hours St. Paul was down two points. I ran across the Jew and said:

"I thought you regarded St. Paul as a good thing."

" 'So I did,' said he, 'but I changed my mind.' "

"What did you do with your 500?"

" 'Why I bought it to go up and it didn't start; so I sold out and lost ⅛ of a point. What did you do with yours?' "

"I have it yet."

" 'Well, you're stupid. If you buy or sell a stock and it does not move as you expect, get out at once. Don't wait. You can always get in when it does move, can't you? The game's here very day, isn't it? Again. Never follow me, for I often make mistakes and change my opinion of the market at short notice—sometimes in less than a minute.' "

"I then worked out a system, with the object of keeping the risk down to a minimum, for in speculating every man is a rule unto himself."

It may sound strange, but a "scalper" thinking that prices are going up, may make money, when as a fact they go down. Following is an illustration of a day's business:

	No. of Shares.	Stock.	Price.	Loss.	Profit.
Bought	200	Penn.	139⅜		
Sold	200	"	139½		12.50
Sold	100	"	139⅝		
Sold	200	"	139⅝		
Bought	100	"	139⅜		12.50
Bought	100	"	139⅛		25.00
Bought	100	"	139⅜		12.50
Bought	100	"	139⅛		
Sold	100	"	139¼		6.25
Sold	100	"	139⅛		
Bonght	100	"	139⅛		
Sold	200	"	139⅛		
Bought	100	"	138⅞		12.50
Bought	100	"	138¾		18.75
Bought	100	"	138½		
Sold	100	"	138⅝		6.25
					$106.25

When the market opened on this particular day, he was of the opinion that Pennsylvania was going higher. He therefore bought 200 @ 139⅜ (it must be borne in mind that the par value of Pennsylvania is $50, 200 shares being equal to 100 New York Central or other stocks, of $100 par). He had hard work selling his 200 shares at 139½. A commission broker then came in, and asked, "What was the last sale?" He was informed that it was at 139½; another broker in the crowd then bid 139½ for 100 shares; the commission broker bid 139⅝ and our friend supplied him with 100 shares; in a few minutes, the commission broker came back with another order and was supplied with 200 shares more at the same price (139⅝); this placed our trader short 300 shares. A few moments more and another broker with a selling order offered the stock down to 139⅜, at which our trader covered 100 shares. It weakened further to 139⅛ where he covered another 100 shares. The market then steadied and his third 100 was covered at 139⅜. This made him even on stocks and $62.50 ahead in the first twenty-five minutes of the session.

The market then quieted down somewhat. Pennsylvania sold at 139¼, and a single 100 shares came along offered at 139⅛. He snapped it up, and in a few seconds, sold it again at 139¼. During the noon hour, the whole market began to break and trading was on a much

heavier scale; brokers acting for leading operators came into the market with large selling orders. Our trader sold short 100 shares at 139⅛ at the beginning of the downward swing, but as he was not in sympathy with the decline, bought it back again at the same price. Another instant, and he changed his mind and went short 200 shares. This he covered at 138⅞ and 138¾. The decline continued and he went long 100 at 138½; in five minutes he sold it at 138⅝. It was then only two o'clock, but, pleased with his day's work, he figured up his profits and went up town.

His sensations were of quite a different character at the close of a day, such as the following:

			Price.	Loss.	Profit.
Sold	200	Amal.	64½		
Sold	100	"	66½		
Sold	100	"	66		
Bought	400	"	67	$650	
				$650	

The above horrible result was due primarily to stubbornness. On a Saturday morning he sold 200 Amalgamated short at 64½. It did not decline and at 11:45 he could readily have bought it at 64⅝; however, he did not wish to take a loss of $25, and as there was no opportunity to cover at a lower figure, he went away at the close with his position unchanged. His intention was to buy 200 shares at the opening Monday morning, whether the initial price showed him a profit or a loss. Going out of town over Sunday, his train was delayed nearly two hours Monday morning. He considered getting off the train and telegraphing a friend to cover the stock, but foolishly did not do so.

On arriving at the Exchange, he was greatly chagrined to find Amalgamated selling at 65½, it being practically the only active stock in the market; all the floor traders were operating in it and he felt sick that he had not covered with $25 loss. He concluded to stand on his original trade and hoped for a reaction; but instead of this Amalgamated ran up to 67½ before it reacted at all. Then it came back and at 66½ he sold 100 shares more, and at 66 a fourth 100. The stock thereafter did not break, but rose quickly to 67 where he got tremendously excited and covered the whole line. It is seldom, however, that this occurred Whenever he received a good trouncing, he benefited by the lesson and learned to avoid such pitfalls.

The closest shave he ever had was just before the Northern Pacific panic. When the stock rose to 115, it looked very high to him and he sold 300 shares short, 100 for a friend and 200 for himself. Sticking to his old rule of not taking a loss of more than 2 points, he covered at 117, his share of the loss being $400. Had he not covered so promptly, he might have been ruined.

Like many others of his calling, he considers floor trading a fascinating vocation and would rather make a good living on the Exchange, than become a millionaire at some other pursuit. He considers the Exchange in the light of a club. In another sense, it is life at high pressure, for it is followed at the expense of nerves, peace and general health. It is very profitable in good times, but in dull times, a trader has to live on his principal and be as cheerful as possible. He advises no one to tackle the proposition who cannot stand excitement, having known brilliant traders of nervous temperament who have had to abandon it on this account. He found that those of less mental capacity, but thoroughly phlegmatic succeed, and that many of the most successful traders are men of ordinary intellect. To use his own expressions:

"The life is one of earning one's bread and butter by the sweat of one's brow. I have found that there is no particular exultation in winning, but there is a momentary feeling of relief and exhilaration in taking a loss. I assume, therefore, that I am a good loser.

"Many times I have longed to be a worker in a more constructive field. To wear a smiling countenance when you lose your money in an uphill fight may be natural to some men, but it was hard for me to acquire the habit.

"In my first year, I smiled on occasions when the smile pained me as much as it did when I was a youngster and had to have the barb of a fishhook cut out of

my fore-finger by a half-blind doctor. Now it seems like a good joke.

"I early found myself becoming introspective, and analyzing my emotions and thoughts. I do not say that all speculators do, for some of my friends have the successfully reckless manner of accomplished horsemen. Often I have envied them their happy-go-lucky temperaments, their carefree dispositions.

"Often before making my first trade I feel the same momentary reluctance experienced when about to take a cold-water plunge. A shudder and it is all over. After that the fascination of it all has grasped you. Men stick to it after their physicians order them to quit. Take ———, who contracted tuberculosis. He would not go away, but came to the Board every day until he was too weak to stand. Even then he came down to his office, and he almost died there.

'Again, ———, too, had tuberculosis of the lungs. He went to Colorado and was getting better, but came back in the winter, against the advice of his physicians. He was ripe for pneumonia, and it killed him. Stock speculators are sufferers from nervous diseases, diabetes and kidney trouble; the Wall Street kidney, I believe, would be a joke to several physicians if it were not so very serious a matter.

"Have we speculators a place in the constructive world of endeavor? Yes, indeed. We help make a broad, free and elastic stock market. We are an important factor in making it easy to dispose of securities at a moment's notice. Our business is not a matter of blind chance. It calls for severe training and capital."

* *World's Work.*

The Bucket Shop Lure

By J. Charlton Smith

IT was Saturday night and late for customers at "The Hub" store. The portrait agent and the nursery salesman were "in" for the week-end and had drifted to the back room for a chat. Both reported a marked curtailment of business since the October panic.

Shortly after ten, the tramp-painter showed up and after greeting the proprietor, passed around a cylindrical box from which each of the quartette extracted a thin roll of leaf tobacco; immediately four clouds of stogie smoke were rolling above as many heads.

"Was up at Tipton this week," observed the tramp-painter, "and heard the prize hard-luck story of the season."

"What sort of hard luck?" asked one of his auditors.

"Oh! the bucket shop, as usual."

"How many thousands was he out?" asked the portrait-man with an appearance of languid interest.

"Aw! this case isn't to be measured by dollars and cents only; if you'll shut up, I'll hand you the yarn."

"Young fellow, decent sort of school-teacher, had a good job in a little town a few miles away—easy school and about fifty a month in it for him, together with certain collateral advan-

tages. Like many another before him, he got an attack of Wall Street fever by reading the financial news in the big dailies. The maneuvers of the financial wizards were his meat and drink; the quotation tables became his dessert.

"Like all beginners he started with purely imaginative trades; he'd buy this and sell that, but transactions never got further than the scratch pad in his own hands. After a few months of such riskless pastime, he found himself a budding millionaire—in his mind.

"It was a long time before he screwed up his courage to the point of making an actual trade with real money. But he got to spending his week-end vacations in Tipton and loafing every Saturday morning in the one bucket shop of the town.

"Finally he did slip the local correspondent of the Odell Commission Co. a double saw-buck just before the opening one morning, with a stammering order to 'Buy ten Southern Pacific at the market.' A few clicks of the telegraph instrument and the order was in.

"Southern Pacific opened that morning at 61¼, wavered uncertainly and dipped to 60½, which was low for the day; there the price stuck while the rest of the list slumped badly—some stocks as much as three or four points. The young speculator's heart sank into his boots.

"About half an hour before the close, a general buying movement set in, led by S. P., which regained its loss and advanced more than a point. In the last five minutes the buying became quite urgent; Southern Pacific touched 63¾, where it closed. Our young Napoleon quickly closed out his trade (he was about twenty-five bones to the good), and walked out treading air.

"It's a fact that he stayed away from Tipton fully two weeks and one might have thought he had decided to permanently rest on his laurels. But history of this kind invariably repeats itself; the intoxication of the winner of even a trifling sum is such that he invariably returns for more lucre—it looks so easy.

"On the occasion of his next call at the 'Board of Trade,' the school teacher was fortified with official railroad reports and quotation records running back many years. In particular he had the physical and financial history of the Southern Pacific at his tongue's end and was not bashful about relating it to anybody who would listen.

"This time he bought twenty shares on a two-point margin, which, three or four days later was 'wiped out.'

"On the following Friday his school closed for the summer. Immediately he drew all of his back salary.

"His next turn (invariably on the bull side), was lucky and gave him about an even break from the start. Meanwhile another up-turn in the market didn't get him anything for he didn't happen to be 'on.'

"Then came the fatal day when he withdrew about three hundred dollars (approximately his year's savings), from the bank and appeared at the 'shop' with an order to buy all the S. P. that the amount would margin. Just what induced him to plunge, does not appear; he said little, but appeared very confident; certain it is that he went long 150 shares of Southern Pacific at 65⅛.

"The time I speak of was a year ago last summer—about three or four months after the 'earthquake panic' and just prior to the greatest bull campaign of the decade.

"At any rate, S. P. hovered uncertainly around 65 for a day or two, several times going to 65⅜ and once touching the half; but the teacher made no move toward selling out. Next came the inevitable manipulation preceding an important announcement. In this final effort to shake out weak and timid holders, some stocks reacted from five to seven points; but S. P. dipped only to 63 flat—just enough to exhaust the teacher's two point margin with a measly little fraction to spare.

"The very next day Harriman's sensational bomb-shell exploded and to the uttermost parts of the earth flashed the news of the initial dividend of five per cent. on Southern Pacific and of the increase to ten per cent. on Union. The rout of the bears was the most complete on record.

"Southern Pacific opened up seven or

eight points and had the widest and wildest opening in its history. It kept climbing a point or two at a time, usually scorning fractions and only touching full figures. In brief, the stock rose steadily with little interruption to 95 or 97—daily and weekly smashing previous high records."

"Did the teacher commit suicide?" inquired the fruit tree man.

"Not so bad as that; he not only went 'flat broke,' but the county superintendent heard of the incident and—I hate to say so—but on 'information filed,' etc., the school trustees met and 'canned' the young educator for 'reasons.'"

Morals: Don't trade in bucket shops.

The two-point margin proposition is an inducement to overtrade.

Don't use for speculative purposes money that you can't afford to lose.

Knowledge of a road's earning power affords no protection against ordinary or extraordinary fluctuations. It is of value only for the "long pull."

Scientific Grain Investment

By E. W. Wagner

The wisest policy in pursuing a course of "Scientfic Investment" is to follow the market opinions of a first class Broker.

The Grain Trader, however, mainly works out his own forecasts.

There are several natural speculative periods in grain and provisions. Much interest develops in May Corn in the first five months of each year. The great speculative months of the year for the new corn crop are July and August.

In two of the past five pears May Corn has led the grains with long swings and great activity during August. In 1904 there was a bulge of 9 cents, and in 1907 of 10 cents.

In eleven years out of the past fourteen August has proved a poor month for growing corn. The average decline per year being over 4 points. In the best years the highest August gain has amounted to about two points.

The Corn crop is similar in its growth to the cotton plant. A low condition at the start of a new crop means a permanent low condition.

Wheat is most active from April 1st to August 31. There is always a five month period of sensational activity while the crops are in the making.

There are natural annual periods, as outlined, where the speculative chances in the various grains are excellent. It is the duty of your broker to keep you posted.

The foundation of a reputation as a forecaster is the work of a lifetime. A few emerge from the ruck and steadily continue to weave predictions that are amazing. It is scientific to follow these men.

Short and excessive crop situations are the paths that lead to grain success. Heavy crops mean lower prices. Short crops mean higher prices. Every trader knows these facts but every trader does not stay to near the end of the "value swing" but jumps off with quarter or half profits.

It is commonly supposed that money and information are the first necessities for grain investment. My long experience leads me to the belief that patience is superior to both.

The possession of ample margins is a distinctive advantage as it enables you to work out the "swings" with an excellent chance of success.

The most astonishing feature of grain speculation to the new comer is the swift alternate change in the value trend. Wheat will run up to $1.00 from 88 cents, turn and without any particular delay work back to 90 cents.

The question of figuring out the limit of the "Swing" in either direction is a hard task for the speculator or his broker. Usually, however, on a downward swing the market becomes dull at its culminaton. There is a pause to take breath. Sellers become timid. There are a few other signs that indicate bottom is near. The Bear has the benefit of the cash situation, which, gives him a key to the market. The selling attitude of the farmer must also be considered.

In a real bull market wheat will rise one to two cents daily. The vigor of the rising quotations is the greatest indication of the strength underneath the market. The man who calls the actual top of a real bull market is lucky. It is a superhuman task because the extent of crop damage in a country where 50,000,000 acres are under cultivation cannot be ascertained inside many weeks.

James R. Keene says, "I will gladly give anyone the secret of my success. It is INFORMATION. I will pay any price for the latest information."

This remark rules just as good in grain as on stocks. If there is a science of grain success it is the science of "latest information." Your broker, if he is alert and aggressive will secure on your behalf, that class of information that moulds values. He will patch innumerable pieces of evidence together into a "successful conclusion."

The "advance signs" of the excitement that recently carried September wheat from 88½ to about 97 cents were as follows:—

First a course of dry, hot weather in the Dakotas. Reports of "barley blight." A prominent speculator went to Minneapolis bearish and returned very bullish. The first rush of new winter marketings went into the hands of elevator men at high prices. Oats reports became steadily and sensationally poor. The Southwest farmers started to stack their wheat. Hedging sales of new wheat at Chicago were very light. World's visible supply grew very low. Stray damage reports drifted in from North Dakota. They were too bad to be believed. B. W. Snow awoke the trade by a very strong blight message from North Dakota. He passed on to Winnipeg and there was some scepticism. He returned to North Dakota and three bullish messages in one day shook the trade.

Three men met on the floor of the Board of Trade. The order clerk said, "This wheat is going to bull. I know it because of the orders. There's something about them that tells me."

The Editor of the Instantaneous News Ticker said, "Wire after the close says the orders are piling up at Minneapolis. This wheat is a buy."

The head of a brokerage establishment said at the close, the same day, "The buying power under this wheat is too strong. It won't break—it's going higher."

The B. W. Snow report of August 4 cut Spring wheat condition about 9 points and caused a big buying furore.

The trade paused on receiving the report and the top for September wheat was 94¼. The importance of the report was recognized the following day and a top of 96⅞ was instituted.

The details mentioned show that eternal vigilance over large and small details is at the root of grain success.—Latest information and knowledge how to adjudge and use it.

Mechanical Methods

Of Forecasting Movements in Stocks and Bonds.

By ROGER W. BABSON.*

We give below a detailed description of how plots or charts are used by Stock Exchange houses for prophesying changes and turns in the market. This should not be read by those who desire simply to forecast business conditions; statisticians of Stock Exchange houses will be interested in reading this, but statisticians of industrial concerns and mercantile houses should purposely avoid reading it. We say this because it is apt rather to mislead and switch the attention from their main object, which is to anticipate Business Changes, not Stock Exchange Movements. Although there is a relation between the two, they are entirely distinct.

If one is interested in the stock of any railroad company, three plots should be made for it, one under the other, with the weeks for a horizontal scale and different vertical scales according to the line plotted. One plot should be for Earnings, one for the Prices and the Shares Traded In. Each plot should consist of three lines, one a solid black line for the past year, one a dotted line for the year preceding and one in a broken line for the current year.

(Many traders use four plots; namely, one for the Net Earnings, one for Gross Earnings, one for the Prices and the other for the Shares Traded In).

As stated above, the horizontal scale should be weeks, using about an inch to a week. For the Earnings plot, a square can be used for each $100,000 to $200,000. of the vertical scale, in accordance with the size of the road being studied. For the Prices plot, a square can be used for a vertical scale of about two points. For the Shares Traded In plot, a vertical scale for a given number of shares can be used, according to the activity of the stock. Stocks in which there is very little trading, require much smaller scales.

The Price and the Shares Traded In can be plotted each day.

The Earnings may be plotted each week for gross and each month for net.

In order to appreciate the importance of the Earnings plot, one should add a horizontal line, showing the level of fixed charges and the level of Present Dividends. With these horizontal lines across the Earnings line, one has a bird's eye view of the Margin of Safety that can be shown in no other way; hence it can always be seen at a glance whether this Margin of Safety is increasing or decreasing. This plot is also extremely valuable for ascertaining how the last portion of the line plotted for the current year is directed; that is, whether upward, downward or horizontal.

The interpretation of the plot for prices is self-evident. As to how the plot for Shares Traded In can be used, there are two general methods; although neither are infallible, each is a distinct aid. Some advise the first method; others would invariably advise the second. I believe that a simultaneous use of both is the best way to arrive at a conclusion.

Method 1. This Method consists in plotting two lines as described above, one showing the Average Prices of the stock being studied and another line for the Shares Traded In. Operators generally use a square to a day. The longitudinal scale will be therefore in weeks, and the vertical scale for prices using about one square for three points, as described above.

Directly under this plot, with the same longitudinal scale, appears the other plot for Shares Traded In. The number of shares to a square depends entirely on the size and activity of the stock under consideration. The vertical scales of both these plots do not matter so much, but it is absolutely necessary that the same longitudinal scale of weeks be used in both cases.

After these have been filled in for each

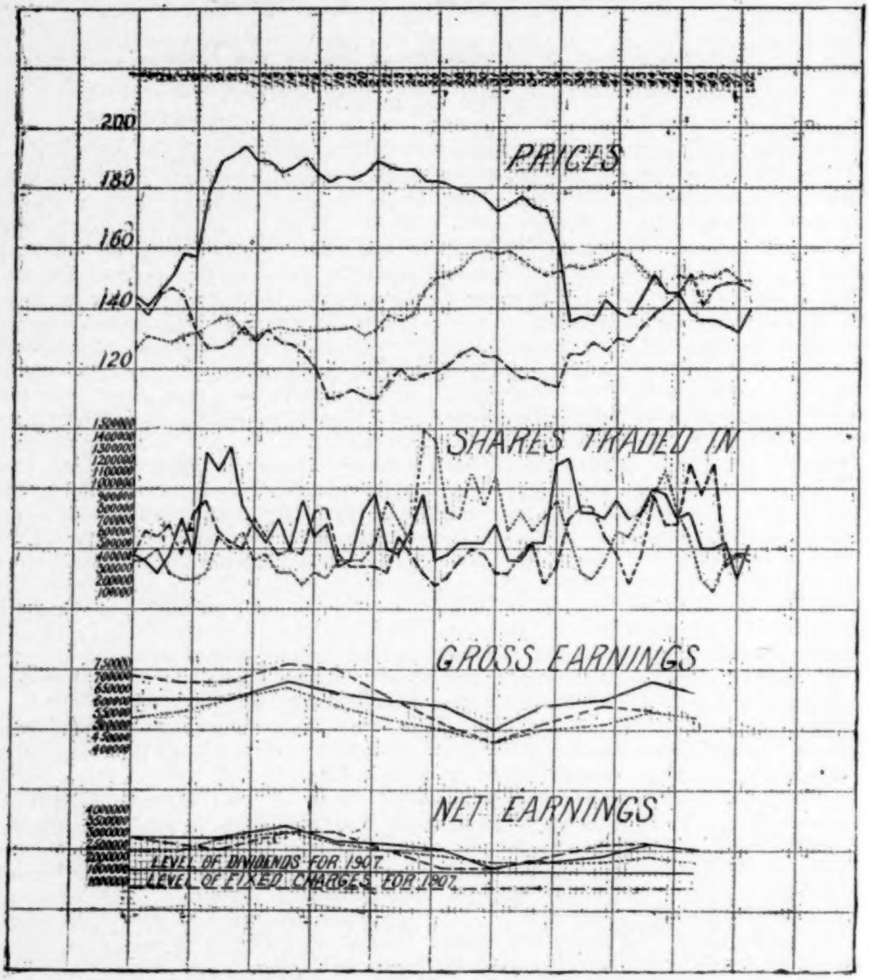


Chart Showing Three Years Record of a Stock (See Text)

day, lines should be drawn connecting these points, thus showing two zig-zag lines, one for the Range of Prices and the other for the Shares Bought and Sold. These dots will be made daily and the data may be taken each morning from the *Wall Street Journal* or any other daily paper which gives the Shares Traded In and the range of certain leading stocks. This chart will then be interpreted as follows: A high market with few transactions indicates that the market has reached a standstill; if the Shares Dealt In rapidly increase with a decrease in the range of prices, this usually indicates that the trend is distinctly toward lower prices. This condition continues for a while until the market gradually comes to a standstill and the transactions gradually diminish, indicating that the market is "dragging on bottom." When the transactions begin to increase rapidly,

with a very little increase in the general level of prices, an "upward turn" is indicated.

The reason for this is: We seldom have a general turn in the market until insiders have taken on good sized blocks of stock (usually shown by large transactions with a very slight increase in the level of prices). This is due to the fact that they buy as much as possible without raising the general level; if the market advances, they stop for a while in order not to put up prices on themselves. On the other hand, if transactions are large and prices rapidly advance, it shows that the insiders have already made their purchases.

To repeat: If the transactions are large with very little increase in the price level, and are accompanied by bearish news and bearish reports, one may be very certain that the insiders are loading up, preparatory to a general advance; but if large transactions are accompanied by a rapid rise in prices and bullish news, one may be very sure that the insiders have already loaded up and are endeavoring to interest the public, with the idea of selling out and making profits. The reverse reasoning is true when the market is at a high level.

Method 2. The second method consists of tabulating the sales and low records; these tables are usually made up by weeks rather than by days. This information is best obtained through the quotation tables of the *Commercial and Financial Chronicle*. These tables consist of four columns, the first entitled Week Ending; second, Number of Shares Traded In; third, Number of Issues Reaching Low Records; fourth, Percentage of Low Records. One line is used for a week. Operators using this method believe that ANY ACTUAL TURN FOR THE BETTER IN EITHER THE STOCK MARKET OR BOND MARKET IS EVIDENCED BY A MARKED AND REGULAR DECREASE IN THE WEEKLY NUMBER AND PERCENTAGE OF LOW RECORDS TENDING TOWARD THE POINT WHERE, IN THE CASE OF STANDARD ISSUES, THEY PRACTICALLY CEASE.

The reverse is likewise true; that is, a turn for lower prices is evidenced by a marked and regular decrease in the weekly number of *high* records tending toward the point where, the percentage practically ceases. As an illustration of this method Mr. R. W. Spier prepared the following table on November 1, 1907, as an argument that the lowest bond prices had not then been reached.

We quote Mr. Spier as follows:

"A careful record of sales on the New York Stock Exchange for six months shows that during said period *not a week passed that less than 22 per cent. of the total issues traded in, reached low records for the year.* In many cases these being absolutely the lowest on record. For the week ending November 1st, 111 out of 144 issues traded in (77 per cent. of the total) sold at low records; these representing an average decline of 14.41 points from the high point of the year. During the same week, the 20 representative bonds, at an average price of 96.37 reached a further low average price of 90.04. These records were, of course, made under panic conditions. But, to go back to more normal conditions, during the week ending October 11, it is found that 67 out of 184 issues traded in (36 per cent.) sold at low records. The complete record since May 17th is given herewith.

"A real turn in the market should be evidenced by a marked and steady diminution in the weekly number and percentage of low records, tending toward the point where, in the case of real investment character, they practically cease. The question has been constantly asked: 'Are there visible signs of the bond market turning?' An answer in the negative seems to have been the correct one, at any time during these six months and to be the correct one to-day."

Briefly, we might say that the Shares Traded In usually increase as the movement gains force in either direction.

Take a stock which is at a practical standstill, the transactions amounting to only a few thousand shares a day—let that stock enjoy a steady advance and you will find that the volume of transactions will increase rapidly as the advance progresses. The same is true in a break. It is an almost invariable rule that abnormally large volumes mark the culmination of a swing.

BONDS WHICH SOLD AT LOWEST PRICES ON RECORD DURING 1907.

Week Ending	No. of Issues Traded In	No. of Issues Reaching Records	Percentage of Low Records
May 17	188	51	27%
" 24	194	68	28%
" 31	191	53	28%
June 7	182	51	25%
" 14	191	40	21%
" 21	157	55	35%
" 28	168	58	34%
July 5	157	52	33%
" 12	175	52	29%
" 19	172	37	22%
" 26	155	34	22%
Aug. 2	162	39	24%
" 9	157	65	43%
" 16	164	88	54%
" 23	153	86	56%
" 30	149	84	56%
Sept. 6	126	43	34%
" 13	151	71	47%
" 20	151	53	35%
" 27	147	35	24%
Oct. 4	166	59	36%
" 11	184	67	36%
" 18	184	93	51%
" 25	176	130	74%
Nov. 1	144	111	77%

This table shows the turning point of the market not yet reached.

A good tape-reader can "scent a move" very often by noting the action of a stock as it emerges from dullness to activity. If the movement is upward, trading will increase as it goes along, but dealings will fall off when reactions take place. ":Dullness on declines" is a sign recognized by tape-readers as showing that there is little stock pressing for sale and that the trend of the market is toward still higher prices.

In addition to the above it is necesary even to *forecast* the Earnings. This may be done by a study of crop reports. Crop reports are given for the entire United States and for the individual states. In this way persons who are especially interested in any one road may confine their study of crop conditions to the States in which the road operates. For example, if one is making a study of the Wabash Railroad Company, he must note the condition of crops in Indiana, Illinois, Iowa and Missouri. If he were studying Missoudi Pacific, he would give attention to the crops of Kansas and surrounding territory. These crop reports may be anticipated by a study of weather conditions. In fact, no student can make a success of operating in the stocks of even one company without studying the underlying and fundamental conditions of the whole country, as well as the individual property selected.

A Specialist in Panics

Experiences of an Erstwhile Novice

(Continued from the August Number)

BY means of a few telephone calls and a trip to Wall Street at noon, I managed to keep posted as to the market's gyrations. Things grew very sloppy indeed—all but Northern Pacific, which continued to climb. Steel was very weak along with the rest, but didn't approach my buying point that day. The trouble was not over though; in fact, it looked to me as though it had just begun.

The bowling club of which I am a member, was due to meet that evening. I was particularly anxious to be there for stock market reasons—a fellow member was employed in T. J. Taylor & Co.'s office, where Mr. Keene made his headquarters, and just at this particular time I wanted to connect with him.

I was not hunting for tips—never again would I play a tip. But if he could be induced to loosen up enough to say what "the old man" thought, or what his operations indicated, I could form some estimate as to the correctness of my buying points.

He did not show up, however, and at ten o'clock I went around to his house only to find that he was detained at the office and would not be home till very late. That didn't phaze me at all, for eight o'clock next morning found me there again waiting for him to come downstairs.

When questioned, all he would say was, "Well, our people were throwing over all their other stocks yesterday and buying Northern Pacific. That's all I can tell you, except that there's going to be hell to-day."

I made a mental note that it might be hell for some people, but not for me, and went to the office feeling satisfied that something would surely be doing that day.

A dozen times before noon I called my broker's office, only to hear "Busy" from Central. And I guess they were busy, for the newsboys were yelling, "Extra! Panic in Wall Street."

As soon as my lunch hour came I scooted up to the Street and found my broker's office crowded with customers, all breathless with excitement. A glance at the board showed what a slaughter had taken place during the morning.

Atchison had broken from 90 a few days before to 43; Delaware & Hudson was down 70 points and everything from St. Paul to "Coxey" had broken 10, 20, 30 or 40 points. It certainly was the wildest looking lot of quotations I had ever seen, and the faces about me were those of lunatics—not sane men.

Standing next to me was a man who had seen the last of his fortune swept away. Another, pacing up and down the room, was muttering to himself:

"My God! I've lost $30,000!"

The panic had come and passed so quickly that if my orders had not been entered in advance, I would have stood no chance of getting Steel at my figures.

As soon as I could catch the attention of the manager, I asked,

"Did you get my Steel?"

"I'll see," he replied.

In a few moments he came out from behind the order desk and said,

"You're on."

"Both lots?" I inquired.

He nodded.

"Bully for you," said I, mightily pleased, for looking at the quotation board, I saw that the lowest Steel touched was 24. It then stood above 33 and was very strong. In less than two hours, therefore, I had a profit equal to nearly 20 per cent. of my capital.

Now some folks may think I'm making a big holler about a small trade. Per-

haps I am. But then if you are giving the history of an oak tree, you must start with the acorn. This little 50 share deal was the acorn growing out of my financial tree which met disaster in the former panic. If the tree had gradually lost its branches and taken years to fall, I might not have learned how to plant the acorn to best advantage—the new tree might never have taken root.

The rest of the crowd were besieging the manager, the order clerk and the office partner with such questions as: "What have I got left?" "Can't you give me a report on my sales?" "Did you have to sell out the B. R. T. too?" "Can't you carry me over night? The market's rallying now."

To be sure it was rallying, but the recovery came too late to save most of them. I heard the manager explain to one unfortunate, "I'm sorry, but there was nothing else for us to do. We put the stop orders in at about three points above where your margin was exhausted. It was impossible to know in advance that there would be breaks of twenty and thirty points between sales. At such times we brokers stand in the gap and all for a commission of one-eighth. Of course, you'll have to pay up. We did our best."

In a day or two my fifty shares was paid for, transferred to my own name and locked away in the safe deposit box. I had bought in a panic and now it was up to me to sell out in a boom.

A panic is to the stock market what an earthquake is to a city or a surgical operation to an individual. After every panic there comes a quick recovery, a sagging back to almost the lowest prices then a slow but steady improvement. All this is a matter of history as the record of previous panics showed.

I saw my stock go through these various stages, but was not afraid, because my holdings were paid for in full and nothing could shake me out. Several times I was tempted to take my profits, but held myself in check until Steel had climbed up close to 50.

The stock was booming again and many other issues had now recovered to about the high levels reached before the panic. No one could dispute that the pre-panic figures were boom prices. With this thought in mind, one day a month or so later, I made a comparison and found many stocks selling even higher than before. The boom was here! It was time for me to act!

I could only guess whether they would continue to advance, or not. The very prices I was then scrutinizing might be the tip-top, who could say? I did not want to sell out and lose all chance of further profits, nor did I wish to have Steel decline and wipe out those already presenting themselves. So I bethought me of the stop order, that rare invention of an early speculator, and calling up my broker's office, told him to "sell my fifty shares of Steel at 45 stop."

"This," thought I, "will leave the way open in case she goes higher, but whatever happens I'm bound to get over 17 points average profit on my fifty shares."

A few days later my perspicacity was rewarded by Steel's advance to 51⅛, at which I promptly raised my stop order to 50. At this point my profits would be $1,100 at least—not far from double the investment and all within a few weeks. One more five point raise of the stop and I'd have within a fraction of 100 per cent!

But Steel only went a little above 52, and one morning I received a telephone message to the effect that by 50 Steel had been "sold at 50 stop," and "Please bring the certificates in to-morrow."

Well you can gamble I brought the certificates in bright and early the next morning, receiving in exchange a check for $2,493.75, which I promptly had certified and deposited to my credit in the Trust Company. I had waited a long time but when I did land, it came "good," and "quick."

Then I set myself to watch the market and Steel.

Things took a decided slump during the following month. Steel fell to around 37 and looked cheap twelve or thirteen points below where I had sold out.

Once I half made up my mind to buy some of it back below 40 and figuratively had to take myself by the collar and read the following "riot act" to myself. "See-

here, old chap, you've got a good game, now ***stick to it***. You are a 'Specialist in Panics,' which means that you buy in panics and *at no other time*. Whenever you are tempted to go in, ask yourself whether a panic exists. If the answer is yes, then *buy*; if no, *don't buy*. Follow this plan and you'll surely get the money; depart from it, and you'll probably lose."

As a constant reminder I printed a sign with my name at the top and beneath the words:

SPECIALIST IN PANICS.

Below I put this query with a blank space for the answer:

QUESTION—PANIC TO-DAY?

ANSWER ————.

I decided to buy only when I could truthfully write Yes as the answer to the question.

The more I studied the U. S. Steel Corporation, the more I became convinced that it was the best stock for my purpose. A sound business axiom runs thus: The steel trade is the most reliable barometer of conditions. This giant concern now bid fair to control the steel market, the absorption of its rivals seeming only a question of time. The production of steel was making tremendous strides and if, as claimed the Corporation could earn 20 per cent. on the common now, in another few years it might earn as much as the Lackawanna Railroad and sell as high.

It was already the most active and most popular stock on the Stock Exchange. Everybody you met had some of the common. Brokerage houses were loaded with it and bucket shops were offering inducements for people to buy more. This was very interesting to me, for I thought what a scramble there would be to get out when another big break came. More people had bought it above 45 than below and most of those were carrying it on thin margins. The underwriting syndicate had received for their "services" an enormous block which naturally had to be sold to the public, and when the insiders were all out and the public in up to their ears, it was easy guessing what would happen.

The stock ranged between 40 and 45 during the balance of 1901, and early in 1902 ran up above 47. In September of that year the whole market took on a big boom. St. Paul sold at nearly 200, and the average of the active stocks was, if I remember correctly, higher than ever before. But Steel didn't come up to the rest by a long shot. It acted heavy and showed the effect of the immense public interest. I mean simply this: The public had its belly full and ***couldn't*** absorb any more; the insiders *wouldn't* buy it. So with nothing to put it up there was every reason why it should sag, except for the 4 per cent. dividends which were being paid.

Those dividends didn't seem so very certain in the future either. The maintenance and depreciation charges as shown by the annual statement were ridiculously small, equal to only a fraction of the valuation of the plants. Mr. Carnegie used to charge off 15 per cent. per annum. If the Steel Corporation should do likewise, there would be no common dividends. There must come a day of reckoning.

With the rest of the market at the top, Steel stood a little above 40 and by the following December had slumped off in the general decline to below 30.

Early in 1903 the market rallied and Steel reached close to 40. This was its death struggle, for it never showed strength afterwards, making new low levels almost every week. The break in the general market which started in the spring and reached its climax in the September panic, accounted for this in a great measure, but I was satisfied that Steel would have "gone it alone" sooner or later.

It was a sure-enough panic and I could have bought any number of stocks at half their former prices. But Steel struck me as the great opportunity and I waited till I could buy it right. It sold below 15 ex. what everyone considered its last dividend. I reasoned: If with 4 per cent. dividends, exaggerated earnings, etc., it could not be forced above 55, what should it sell at as a non-dividend payer, with hard times staring it in the face and the remainder of the public hanging by its eyelids and ready to drop off.

Unless a quick recovery took place after this break, even the preferred divi-

dends might be in danger. The Corporation had just issued a big block of bonds —a fact to me inconsistent with the payment of dividends on a billion dollars worth of stock. If this panic was the forerunner of hard times such as we had in 1893-6, the Corporation would probably go into a receiver's hands. So I held off and watched Steel.

The stock sagged away, contrary to the rest of the market and no demand appeared. I had an idea it would go somewhere about $5 a share and be reorganized. I stood ready to buy a bunch of it at that price and on a scale down.

By this time I had $6,000 to my credit in the Trust Company, made up roughly as follows:

Capital used in initial purchase..	$1,400
Profit on 50 Steel............	1,100
Saved out of salary, extra earnings and interest on deposit..	3,550
	$6,050

During the past couple of years I had worked into a better position at the office, with a salary of $2,400, and outside earnings averaging about $600 a year. But I did not spend more than half of my $3,000 income, and having a round sum in the savings bank for emergencies had not added to it for some time. All my economies were reflected in the increased working capital available for purchases of Steel common when the right time came.

With the above amount I could buy 1,200 shares at $5 and a ten-point rise would mean a profit of $12,000. If I bought the preferred (then selling in the 50's) my money would be sufficient for only 100 shares and in order to make as much for me as the common the preferred would have to go above 170. This was not likely for a 7 per cent. stock, at least not until it had been an established dividend payer for years. In fact, it was unfair to compare the possibilities in Steel common with any other stock on the list. Sure as I was that it must go lower in the immediate future, my conviction was even stronger that over a stretch of five or ten years no other issue offered the same chance for profits which might be enormous compared to the capital involved.

Steel worked down to 10 and rallied two or three points, then backed and filled between 10 and 13. Every time it struck 10 there seemed to be some one on hand to take it. This was the first point in the long decline where resistance seemed positive. I studied the individual sales and they confirmed my suspicion that some one was holding the bag at 10.

I had read and studied all the books I could find that in any way related to the stock market and the knowledge thus derived stood me well at this juncture. Among other things I had learned that insiders keep things looking very blue over a long period while they are quietly buying stocks. The Street was blue enough now and general business throughout the country was feeling the effect of the stock market's disastrous break. The reduction of Steel preferred's dividend to 4 or 5 per cent. was looked upon as a certainty; the country had seen its last bull market, and was now rapidly going to the dogs; a number of properties were going into bankruptcy; in fact, there was not a glimmer of light ahead.

But with all the bear talk Steel common didn't break 10 and the preferred swung between 50 and 60, with the same characteristics (accumulation) sticking out all over it. Every time the preferred would rally, somebody seemed to club it down toward 50 again.

I concluded it was time for me to commence buying and put in an order to buy 200 shares at 10. It sold there several times but I never got it. Whenever I made a kick, the answer would come back, "Orders ahead of yours." Getting tired of this, I made my price 10⅛ and secured my stock. Then I put in an order to buy 100 @ 9⅛, 100 @ 8⅛ and 100 at 7⅛ in case they should raid it when I was not on hand.

The pounding and accumulating process continued through the winter and spring with everything discouraging from a financial and business point of view. Along in May my 9⅛ stock was bought, and Steel made a new low record of 8⅜. I had hopes of having the rest of my orders filled but was doomed to disappointment.

By the end of June the financial skies began to clear somewhat. Prices stiffened all around, and showed signs of marked improvement if the crops turned out all right. It didn't look as though I'd get the rest of my line and I made up my mind to take on 300 shares more making 500 in all, realizing that it was better to cinch it around 10 than to be greedy and wait for a lower bottom which might never come.

So I cancelled the other orders and bought 300 shares more at 9⅞. I could have bought another 200, for by that time my available resources had been increased by $1,000, but thought it best to retain the balance in case Steel *should* go to 5, or an assessment be levied.

The July and August crop reports showed up well, and the whole market moved up in orderly procession. The brokers were doing no business because their clients had been cleaned out in the panic. Insiders were now busy marking prices up.

Did I enjoy the situation? Well I guess Yes.

I was an insider!

Steel looked better every minute, though it did not get started as soon as the rest. In less than three months it sold above 15, and in October it touched 20. That fall and winter everything in and out of Wall Street took on a new lease of life—the steel trade, railroad earnings and general business.

Before the year was out, Steel crossed 30, which gave me $10,000 clean profit and in 1905, after running up nearly to 40 and back to 25 she closed the year around 42 or 43 and I put a stop order on 200 shares at 40. Soon after, a recession came, the stop was caught and I was out of one-third my holdings at a profit of $6,000 real money besides paper profits of $12,000.

(Continued in the October TICKER.*)*

ED. NOTE.—This story is not only interesting but highly instructive. From the above and the preceding instalment we learn:

The value of a definite, tangible plan of operation.

The importance of sticking to that plan—a locomotive off the track is useless.

That close study of Wall Street securities, methods and conditions will pay any man capable of using horse sense in his ventures.

Panics are rare opportunities for people with money.

Buying when insiders buy and selling when they sell is a sure road to wealth.

When your stock is in your own safe deposit box you can more patiently wait for a large profit.

It doesn't matter how small you start, so long as you start right.

That bull markets follow panics as regularly as the sun rises and sets.

The value of stop orders in preserving profits once secured.

Advantage of low priced stocks with unlimited prospects over preferred stocks with dividends limited.

Some sound stock market reasoning.

Possibilities in Steel common.

Why the public loses.

That a pending receivership points a profit to the man of nerve, patience and foresight.

It is better to buy "at the market" than to lose an opportunity waiting for your price.

When you buy with the insiders they do all the marking up for you. If they make money you must.

The New Weekly Bank Statement

And Some Facts Regarding the New York Clearing House

By Max Hesslein of Sig. H. Rosenblatt & Co.

THROUGH the incentive of our new Superintendent of Banking, Mr. Clark Williams, a very important change has taken place in the compilation of the weekly bank statements. We therefore deem it of interest to explain in an exhaustive fashion the workings of the New York Clearing House and the meaning of the Bank Statement which is issued by the same.

The New York Clearing House Association is not incorporated. It is nothing but an association of banks formed for the convenience of its members, and at the same time for the protection of their interests. It seems to be hardly necessary to recall that the object of the Clearing House is to expedite business of the banks with each other by meeting at a designated place, at specified times, to exchange or *clear* the claims of the different banks between each other.

The New York Clearing House consists to-day (March 1, 1908) of forty-nine members, one of which is the Assistant Treasurer of the United States, who resides in New York. To become a member, a bank has to undergo a thorough investigation of its affairs and must have a capital and surplus of at least $500,000. In New York, a bank having a capital of $5,000,000 or less must pay an initiation fee of $5,000. For a larger capital $7,500 is required. Some banks, and a great many trust companies which are not members of the Clearing House, are allowed to clear through member banks. In that case the member bank which clears for the non-member is responsible to the Clearing House, the same as for its own transactions, and its liability continues until after the completion of the exchanges of the morning next following the receipt of notice of discontinuance of such clearing.

If the member bank hears that the non-member for which it clears is in unsound condition, it immediately gives notice to the Association that it declines to clear further, but it has to stand responsible, as pointed out before, for one more day to the members. In the October panic of last year, the National Bank of Commerce announced that it would no longer clear for the Knickerbocker Trust Company; following closely came the suspension of the trust company, but the member banks suffered no loss in this connection.

Non-member institutions have to pay annually a fee of $1,000 to the association. They have to submit, whenever required by the Clearing House Committee, to the same examination as the members of the Association. There are eighteen institutions not members of the Clearing House Association clearing through some of its members in the borough of Manhattan, five in the borough of Brooklyn, five in New Jersey, and six trust companies.

These non-member banks must also furnish the Manager of the Association with weekly statements of their condition, showing the average amount of their loans, discounts and investments, specie, legal tender notes and bank notes, deposits with the Clearing House bank through which it clears, deposits with other banks and trust companies of Greater New York, net deposits and circulation.

Banks acting as redeeming agents for non-members must keep in their own vaults a 25 per cent. cash reserve of net deposits.

In order to give a clear picture of the tremendous importance of the New York Clearing House Association, we quote a few figures from the Manager's annual report ending September 30, 1907:

Clearing House transactions for the year amounted to.........	$99,129,347,346.31
The average daily transactions amounted to	326,083,379.42
The largest exchanges on any one day during the year were.	678,719,314.97
The smallest exchanges on any one day amounted to	141,988,656.49

The constitution of the New York Clearing House provides for a President, Secretary, Manager, Assistant Manager and five standing committees.

The President is elected at the annual meeting by ballot (each bank is entitled to one vote), to preside at that meeting and all subsequent meetings during the year.

The Secretary is elected at the same meeting; both President and Secretary are eligible for two successive years.

At the annual meeting a standing committee of five bank officers is elected, called the Clearing House Committee, which practically has absolute power. It supervises the affairs of the Clearing House, subject to the approval of the Clearing House Association; appoints or removes its Manager or clerks, and establishes rules and regulations to be observed by the Clearing House. It has charge of the funds of the Association and draws for exuenses on each of the member banks for its shore.

This committee is empowered, wherever it shall consider it for the interest of the Association, to examine any member of the Association and to require from it securities of such an amount and character as said committee may deem sufficient for the protection of the balances resulting from the exchanges of the Clearing House. This committee must give its consent to those members of the Association who wish to clear for non-members, as pointed out above.

Aside from the Clearing House Committee, a standing committee of five bank officers, appointed at every annual meeting, is elected, called the Committee of Admissions, to whom all applications for admission to the Association must be referred for examination.

The Conference Committee, to which also five bankers belong, may, in concurrence with the Clearing House Committee, suspend any bank from the privilege of the Clearing House in case of extreme necessity, until the pleasure of the Association thereupon shall be ascertained.

The Nominating Committee is chosen every year, and its duty is to present to the Association the names of candidates for President and Secretary of the Association and for members of the Clearing House, Nominating and Conference Committees, at every annual meeting.

The Arbitration Committee is appointed by the President to hear and determine all disputes submitted to it by both parties thereto, one or both of whom are members of the Association.

The Assistant Treasurer of the United States makes his exchanges only, at the Clearing House, but his balances are settled at his own counter. He has no voice in the government of the Association.

Money orders of the New York Post Office are paid through one of the members.

It is interesting to note that trust companies organized under the laws of the State of New York may be admitted as members of the Association, but that by becoming members they are required to keep a cash reserve in their own vault of not less than 25 per cent. of their deposits. As by law trust companies are only required to keep a 5 per cent. reserve of their own vaults and may keep an additional 5 per cent. with their banking connections and another 5 per cent. in bonds, trust companies in general refuse to become members of the Association.

The balances remaining after clearances have been made are paid with legal tender notes, United States gold certificates, gold coin or Clearing House gold certificates. These latter certificates are used, as far as possible, in place of coin, in order to save expense and risk of loss. The banks deposit gold coin with the Manager, who stores the same in the vaults of the Association and issues certificates in denominations of $5,000 and $10,000, corresponding with the full par value of the gold deposited. These certificates may only be negotiated among the associated banks themselves, under penalty of a fine, and are made payable

by endorsement to any member of the Association.

There is, however, another kind of Clearing House certificate, which is used in case of extreme need only. We refer to the Clearing House Loan Certificates. They are employed only in times of financial panics, and even then with the greatest reluctance. In New York, they are instruments of credit, only to be used to settle balances between the members themselves in lieu of cash, which latter they keep in their vaults against their reserve requirements or use for loans and discounts, and in that way give relief from monetary stringency. They are issued against good collateral consisting of stocks, bonds and bills receivable, deposited with the Clearing House. There is usually a margin of 25 per cent. required, so that there is very little risk involved in the issuance of the certificates. It is usual in times when loan certificates are needed that a subcommittee be appointed to take charge of the Loan Department, the duty of which is to investigate carefully the character of securities which the banks who are in need of aid are offering for security. The duty of the members of this committee is also to examine the condition of the banks which apply for aid and report to the Clearing House Committee, which passes on this application every morning, and, if duly authorized, see that the necessary papers are accurately drawn, the securities deposited and the certificates issued.

We will now take up in detail the weekly statement issued by the Clearing House banks, the non-members and trust companies, the latter as called for by the Superintendent of Banks recently.

Every bank member of the Clearing House Association is required to furnish to the Manager, before 11 A. M. each Saturday, a weekly statement of its condition at the close of business on Friday.

The several items of the weekly statement comprise the following:

Loans and Discounts: Comprising loans, discounts, stocks and bonds, and mortgages owned by the bank.

Specie: Comprising gold and silver coin, United States and Clearing House gold certificates and United States silver certificates.

Legal Tender Notes: Comprising United States legal tender notes of all issues.

Circulation: The amount outstanding.

Deposits: Gross deposits and unpaid dividends less exchanges for the Clearing House, amounts due from other banks for cellection, notes of other banks and checks on non-clearing institutions in the city of New York.

The item of loan and discounts, it will be noticed, represents, aside from notes, drafts or any instruments upon which funds have been loaned out by the bank, also United States bonds held by the National banks as security for circulation and for deposits of public money, and the stocks, bonds, mortgages and syndicate investments of both State and national banks; therefore changes in circulation may very often appear also as a change in loans, since purchases of bonds by the banks always increase the loans, and sales of bonds decrease the loan account, if the proceeds are not loaned out.

It must be kept clearly in mind that all items of the weekly statement are made up by averages. There are two ways to make up these averages, but neither one gives a clear picture of the condition of the banks. One way is to add the figures at the close of each day's business and divide the total by the number of business days in the week. Another way is to multiply each of the first day's items by the number of business days in the week and each subsequent day's items by one less, and then add them and divide the total by 21 for a six-day week and by 15 for a five-day week. As both of these ways are more or less inaccurate, the changes shown by the bank statement seldom agree with the changes indicated by the reported movement of money.

The surplus against all deposits is computed by subtracting one-quarter of the net deposits from the cash held. This has to be done, as the banks are required by law to keep a reserve of 25 per cent. against their deposits. This so far as it concerns the total surplus. The surplus against deposits other than United States deposits is computed by deducting from a quarter of the total deposits 25 per cent. of United States deposits and subtracting the remainder from the cash held.

As an example, take the New York Clearing House statement for the week ending Friday, February 15, 1908, 48 banks reporting:

Total capital of all institutions	$124,350,000
Net profits of all institutions	159,561,100
Loans average	1,135,248,200
Specie average	253,424,200
Legal tender average	60,503,300
*Deposits average	1,132,309,100
Circulation average	66,723,500

* U. S. deposits included $59,495,300.

In order to find out now the surplus reserve against all deposits, compute on the net deposits, amounting to

ing to	$1,132,309,100
25% equal to	283,077,275
The actual reserve, consisting of legal tenders and specie as above, amounts to	313,927,500
Less reserve required of	283,077,275
Leaving a surplus of	$30,850,225

To find the surplus against deposits other than United States deposits, take

the total deposits of	$1,132,309,100
Deduct U. S. deposits of	59,495,300
Leaving net deposit of	$1,072,813,800
25% reserve required	268,203,450
Reserve held	313,927,500
Surplus	$45,724,050

Percentage of reserve held by banks was 27.72 per cent. (25 per cent. required and surplus above that amounting to $45,724,050).

The above shows how the bank statement appeared formerly. The question immediately arises whether the statement issued by the banks comprising the Clearing House, together with the non-members' statement, would give a clear picture of the banking power of the city of New York. The answer is: No, inasmuch as the trust companies are not included in the statement. However, it is now possible to acquire a comprehensive knowledge of banking conditions in Greater New York because of the publication of the actual as well as the average condition of the Clearing House banks, and the compilation under direction of the State Superintendent of Banks of the average of the institutions under his control, not reporting to the Clearing House. These statements are:

1st. Clearing House members' average statement.

2nd. Clearing House members' actual statement.

3rd. Average of other banks and trust companies not in the Clearing House.

4th. Aggregate average.

We give below, as an example, the four statements as issued on Saturday, February 15th:

Clearing House Members, Average Reserve 27.73 Per Cent.

		Increase.
Loans	$1,135,248,200	*$4,507,500
Specie	253,424,200	*657,100
Legal t'ders.	60,503,300	406,300
†Deposits	1,132,309,100	*5,075,400
Circulation	66,723,500	*668,000

Reserve, all deposits, increase, $1,018,050.

Reserve, deposits other than U. S., increase, $973,100.

* Decrease.

† U. S. deposits included $59,495,300.

Clearing House Members, Actual Reserve 27.86 Per Cent.

		Increase.
Loans	$1,138,086,600	*$2,651,200
Specie	252,623,700	469,000
Legal t'ders.	63,199,700	2,052,900
†Deposits	1,133,324,600	1,633,600
Circulation	66,573,200	*725,600

Reserve, all deposits, increase, $2,113,500.

Reserve on deposits other than U. S., increase, $2,067,450.

* Decrease.

† U. S. deposits included $50,507,100.

State Banks and Trust Companies Not in Clearing House.

		Increase.
Loans	$773,852,300	$3,589,500
Specie	40,517,800	2,246,800
Legal tenders	10,558,500	*196,200
Deposits	731,596,500	3,952,800
Deposits, eliminating "due from other banks and trust com-		

panies in N. Y. City".	620,332,900	6,854,400
Reserve on deposits	182,443,000	*579,000

Percentage of reserve, 24.9.

* Decrease.

The Clearing House statement, combined with the statement of the outside banks and trust companies, showed the following totals:

		Increase.
Loans	$1,909,100,500	*$918,000
Specie	293,942,000	1,589,700
Legal t'ders...	71,061,800	210,100
Deposits	1,752,633,000	1,779,000

* Decrease.

In order to make the compilation still clearer the Superintendent issued a separate summary of weekly statements of all State banks and trust companies, as follows:

Summary of Weekly Statements of State Banks.

Week ended February 15, 1908.

		Increase.
Loans and investments ...	$246,748,900	*$98,200
Specie	46,478,900	1,894,300
Legal t'ders...	19,577,600	300,800
Deposits	278,586,100	2,072,400
Reserve on deposits	77,679,800	2,449,800

Percentage of reserve, 28.6.

* Decrease.

Summary of Weekly Statement of Trust Companies in Greater New York.

Week ended February 15, 1908.

		Increase.
Loans and investments ...	$698,801,100	$3,589,400
Specie	36,784,800	1,879,200
Legal t'ders...	5,726,400	*196,200
Deposits	650,908,100	3,555,000
Reserve on deposits	163,890,500	*1,063,500

Percentage of reserve, 25.6.

* Decrease.

It must be borne in mind that the percentage of reserve of Clearing House banks represents actual cash in bank, while only 5 per cent. of cash is required of trust companies, the remainder being either certain bonds or deposits in other institutions.

In spite of there still being some weak points in the compilation of the statement, as, for instance, that the averages are not figured in the same way by all institutions, and also that in the item, "Loans and Discounts," there are included investments such as stocks, bonds and mortgages which, in fact, should not be included in the loan item, we may be very well satisfied with the statement as issued now. It is highly to be appreciated that our banks and trust companies have so readily acceded to the demands of the public.

Human Nature of the Professional Trader

By Reyam N. Ora

An experienced trader who in his day has made some phenomenal plays, in a recent conversation, regarding tape-reading and playing on mechanical lines, has expounded some peculiar facts.

He plays the game on the floor of the Exchange, and is subject to all kinds of influences. When these influences sway him, he is lost. He gets away from his rules and becomes a plain ordinary "dub" with the consequent punishment—Loss.

Worse than the loss entailed is the demoralization that sets in, and which lasts long enough to disturb the rhythm of a well-laid plan that should flow on harmoniously. To resume his plan after a break-away, seems like starting anew. To get into the swing requires time and costs more losses than would have to be taken when in continuous action.

The trick seems to be not to permit any extraneous influence to disturb the tape-reader. To be successful he must have no opinions; he must strictly play the indications shown by prices and volumes; he must let his profits run and cut his losses short.

Seems easy, but if you are a Wall Street player just try for a moment and analyze your mind, and find whether when playing you were *ever* without an opinion. You will probably decide that you never have been able to get away from some conclusion.

There are players who have themselves in Spartan trim. Still they will break away and resume their old natural habits for a while. Ultimately they become thoroughly hardened, stick to their knitting and continue to knock out a fine income. We will let our friend speak for himself:—

It seems very peculiar that traders who are good tape-readers and who play the game from one year's end to the other, make mistakes in their play that are of the same character as those made by the crudest novice. These are not errors of observation and conclusion; they are purely errors of judgment. Successful in-and-out traders, either on the floor of an Exchange or in broker's offices, have certain indications and rules which they follow. Having tested and proved these rules by close observation and long experience, they become more or less mechanical in following them. This mechanical playing becomes their second nature, yet their old original "Adam", their true human nature, crops up intermittently and then they rely on their judgment instead of following their rules.

This spell, which all rule-players have had come over them at certain periods, is the impulse and the logic which the ordinary regular margin player constantly employs. Simply the sequence or easily reached conclusion of the mind, as to what the stock that is being played *ought* to do. Rules are neglected, the play made perhaps on impulse, perhaps on logic, but surely on hope.

Trading on impulse is the most radical and the most common method. If it were possible to so determine it would be found that fully 95 per cent. of impulse plays show a loss. The impulse that forces a play is wrong from the fact the *same* impulse hits thousands of traders alike at one and the same time and possibly for the same reason. This being so, the deliberate mechanical player, whose indications are in part based on the erroneous impulses of the majority, wins out. Hence for a tape-reader to succumb to impulse must prove to him fatal.

To use logic or form a logical conclusion on margin speculation in the Street, is reasoning from a wrong basis. If the game is anything at all, it is illogical. From any illogical proposition

a logical conclusion cannot be derived. Therefore all speculation made on logical grounds is apt to be wrong.

Hope enters into every trade, whether made on indications, or rules—mechanically, logically or impulsively. Being an even factor when played on any lines whatever, or no lines at all, its existence is of absolutely no value to a player. Its only use to a tape-reader is that when hope rises within him, he is at once reminded that he has broken away from his rules.

Rules admit of neither hope nor fear. The play made, either wins or loses. Winnings are accepted as the result of correct methodical play, and losses must necessarily accompany any gamble of whatsoever nature. Hope nor fear cannot be at all considered and do not enter as influencing factors.

To gather and accumulate winnings and to reduce and curtail losses is all there is to the game. This the mechanical player reduces to a science. Just so soon as he gets away from these fundamental principles, just so quickly does he become a plain ordinary "sucker" and gets back again into the "dub" class.

What is called tape-reading is knowledge based on experience, which enables one to determine the trend of the market. This may be correct for a time, but it is unlikely that anyone can be uniformly right for any long period. The market backs and fills. Sometimes its action is in line with indications; again it throws the player repeatedly.

To keep the individual losses down, even though they may total fairly large, and to manage so that profits accumulate over and above the losses, is what puts tape-reading, mechanical players in a class by themselves. When they let human nature (which is inherent in all traders), get away with them, the game is very likely to get away with their bank account.

It takes training and experience to overcome this handicap. Permanent success at the in-and-out game is impossible unless the ego is entirely eradicated and the indications played mechanically with clock-work precision. This is not easy, but like most difficult propositions has its rewards commensurate with the intricacy of its accomplishment.

One of the chief obstacles in mechanical trading is the one-sided development of most players. Old floor traders are as a class, dyed-in-the-wool *Bears*. This bear instinct must be laid aside when playing. All one-side playing is apt to result disastrously.

The public as a rule is perennially bullish. It is only when outsiders make repeated losses on that side, that they sometimes begin to see the possibility of the bear side, but seldom is the public thus committed to any extent.

There are few men who attain perfection in the mastership of their natural tendencies and inclinations, but those who are superior to their weak points market-wise as well as generally, are the sure winners. Many of the most successful floor traders on the Exchanges have gone through these phases of the game. Only by holding themselves in subjugation, playing mechanically and by having No Opinions—No Impulses—No Hopes—No Fears, have they attained success.

Scalping

By Thos. Gibson.

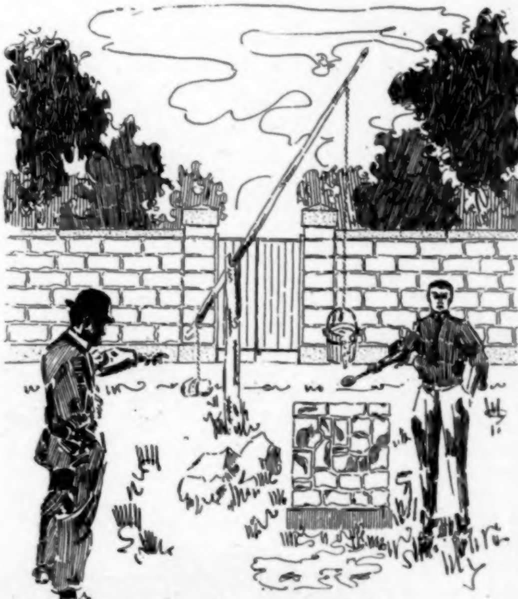
THERE are many different methods and degrees of scalping. The word is supposed to express all the forms of trading between the "chasers of eighths" and the man who operates for a profit of several points.

Scalping operations are more common than any other form of trading. There are several reasons for this. Many people consider the market a machine, and base operations on pictures of the past, *i. e.,* charts. These misused and mischievous instruments show so many opportunities of profit in movements both ways, that the unsophisticated trader sees what was *possible,* while the *probable* is overlooked.

Again, the desire to scalp is helped by impatience and greed. The small trader will grow disgusted if there is the slightest delay. Dulness is unbearable to him. Also, he will frequently close good commitments merely for the sake of "seeing the money." I have seen many traders "clean up," receive a check which was of absolutely no present use to them, gloat over it for a while, and pay another commission to replace the trades. Ridiculous, but true.

I may say, as a general principle, that I consider scalping the poorest form of trading. It involves the continued multiplication of commissions, and constant personal attention. I know of but two men who have made any considerable amount of money by scalping methods. They are exceptionally fitted for this form of trading, and have the ability to take a small loss quickly. This is a trait which is very rare among public traders. A man will usually accept a small profit for no other reason than that it *is* a profit, and will sit stubbornly on a loss for no other reason than that it is a loss.

The man who has reason to believe that a stock will advance or decline ten points, will, in nine cases out of ten, realize more profit by merely making his



PATIENT INVESTOR—'WHAT ARE YOU TRYING TO DO WITH THAT SPOON, MY FRIEND?'
SCALPER—'I AM CATCHING A FEW DROPS'
PATIENT INVESTOR—'THAT'S O.K., IF IT SUITS YOU BUT GIVE ME THE LONG SWING AND THE FULL BUCKET.'

trade in the stock and going about his business until he considers it wise to terminate the contract. I will say decidedly that more traders will do better, make more money, and suffer less loss of time, and less annoyance by abandoning scalping tactics altogether.

That constant and repeated operations are disastrous, is pretty well shown by the remark of a successful "Bucket Shop" man; "I don't care what they do, or what the market does, if I can only keep them coming up to the order windows every few hours," said this gentleman. And he was right; for the ordinary scalper is no more than a gambler, basing his operations on possible variations, and paying a great percentage.

But if one will insist on scalping, if may be well to examine the subject from the other side and see how the least of the evils may be chosen. Without recommending the practice, or qualifying the views expressed above, I will therefore give my idea of the safest methods of scalping.

The man who attempts to operate on both sides of the market during the same period, is the most deluded individual in the speculative world. I have already stated, that I have only seen two traders out of thousands I have observed, who could do this with any degree of success. These hybrid Bull-bears are certainly not working on any definitely formed opinion of the future. They are worse off than even the traders who are unchangeably and constitutionally wedded to one side of the market the year around. These latter prejudiced and inflexible individuals will occasionally have a turn in their direction, whatever their position may be, but the Bull-bear will go from one month to another, never seeing anything more than a temporary gain.

It is important, therefore, that the active trader should form his ideas, base his views on something, and, if he wishes to entertain himself with repeated operations, map out a plan of campaign which shall be, at least, intelligent in its original conception.

Just how successfully the plan suggested will result, depends largely upon the alertness and understanding of the individual who engineers it. If the active participant is easily moved from his position by changes of a point or two against him; if he is easily frightened by wild rumors and inspired talk; if he expects to gain thousands in a few days by venturing hundreds; or if he believes that he can operate in stocks so shrewdly as to guess high or low points within a dollar or two a share, he will meet with disappointment and loss. If he can overcome these drawbacks, he may do very well as an active trader, but I wish to reiterate my views that the man who takes a position on the market and retains it, will make more money than the scalper.

As a test question, let me put this inquiry to the active traders who read this letter:

"When you have been correct on a certain movement of say ten points, and have made repeated operations, did you make any more money, or as much, as you would have realized on a single trade showing a ten-point profit?"

An Important Decision

THE Massachusetts supreme court has just handed down a decision of national importance by which the trustee of an estate was made responsible for the losses of an investment made by him in good faith.

It has generally been held that when an administrator made an investment of the money in his care in good faith and sound discretion, he should not be responsible for losses. In this instance $5,000 was invested in 4 per cent cumulative preferred stock of a big trolley combine (Massachusetts Electric Companies), controlling nearly 700 miles of rural trolley roads in New England. The court maintained that the trolley lines in the country have no reliable earning power and that steam railroad stock would have been preferable for safety. The entire amount of the estate of $5,000 was put into this preferred trolley stock and the court held that a small estate should not be subjected to the speculative dangers which the man of large means might well take without placing his economic stability in jeopardy.

The case is all the more interesting from the fact that there was no question but that the trustee had acted in good faith since he had made extensive investments of his own money in the same enterprise. Yet the court held that the trustee would have to make up the loss caused by the depreciation in the market value of the stock, which amounted to about a third of the original investment, or $1,620.

Courts have often held that obtaining the advice of other competent financial men does not absolve the trustee or administrator from making up any possible loss on an investment. It was shown in this case that the trustee had bought the stock on the recommendation of several experts on financial matters, and still the court held that the trustee had not used sound discretion in selecting such an enterprise for the whole or any part of the estate held in trust.

Financial trustees and administrators have been startled by this decision. It establishes the precedent that the prime characteristic which every trustee must insist on in handling other people's money is safety. Though the interest return may be small, the trustee must not take any latitude in or run any hazards of losing any part of the estate managed. Administrators in every part of the country will need to become exceedingly concientious and prudent about executing their duties if this court decision is made a precedent.

While the stand of the court seems to be stringent, yet it should safeguard the interests of small property owners, particularly those who are most in need of having their rights conserved by watchful governmental authority. It marks the new era when any trust interposed in an individual or corporation by another or by organized society must be considered a sacred trust, and which must be treated with as much painstaking concientiousness and with even more careful judgment than the trustee would devote to his own private investments.

The decision was as follows:

"The appellants are administrators of the estate of Henry M. Smith, who was the trustee under the will of Daniel B. Gillett, late of Enfield, deceased. The trustee invested five thousand dollars, the whole of the trust fund, in the so-called preferred shares of the Massachusetts Electric Companies, a voluntary association managed by a board of trustees, under an agreement of trust, its object being to acquire, consolidate and manage street railways, power companies, etc., in Eastern Massachusetts. It issued shares, or "certificates of participation," consisting of twelve thousand preferred and twelve thousand common certificates, each having a par value of one hundred dollars. It assumed to provide for cumulative dividends on the preferred shares, which were limited to four per cent. per annum. It acquired the

control of thirty-four corporations, thirty-one of which were street railways, having a total mileage of six hundred and ninety-four miles. The trustee bought fifty-two of these preferred shares for five thousand dollars, which was their market value at the time of the purchase. At the time his administrators turned them over to his successor, in March, 1907, their market value was only thirty-three hundred and eighty dollars, and the administrators, in their account, asked to be allowed for the balance of sixteen hundred and twenty dollars. The judge of the probate court disallowed the account, and an appeal was taken to the supreme judicial court, where the case was reserved by a single justice for the full court. The only question raised by the objections to the decree of the probate court is whether the account was rightly disallowed by reason of the claim of the administrators for allowance of the balance lost through this investment.

"The law of Massachusetts on this subject which is more liberal to investing trustees than that of many states and countries, is well settled. The investor is allowed for losses, if the investment was made in good faith and in the exercise of a sound discretion. Brown v. French, 125 Mass., 410 Dickinson, Appellant, 152 Mass. 184. Davis, Appellant, 183 Mass. 499. Taft v. Smith, 186 Mass., 31. Harvard College v. Amory p. 9 Pick. 446.

"In the present case there is no doubt that the trustee acted in good faith, after making inquiries of persons in whose judgment he confided. He invested a large amount of his own property in the same kind of shares, on similar terms. In determining whether an investment should be made, a trustee should keep in mind the fact that safety of the principal of the fund, for the protection of the reversioners, is an important consideration, as well as the production of income for the life tenants. Investments that might be discreetly made by a man of ample property, desirous of profits from a probable increase of the value of the property bought, and well able to bear losses if the property should depreciate in value, might not be proper for a trustee whose duty is to protect the reversioner and to obtain only such income as can be had from a reasonably safe investment, rather than to seek gain from a speculative hope of a rise in value.

"The property of this association was made up of railway companies, many of them running through sparsely settled farming regions, without a reasonable expectation of receiving large returns. The stock of such corporations has not generally been considered so safe and reliable for investment as that of the great trunk lines of railroad. At the time of the purchase by the trustee in this case, the earning power of such corporations, as compared with the cost of operation and maintenance, had not been sufficiently tested to warrant an investor, looking to the safety of his fund, in becoming a joint owner in a combination of such railways.

"There is another consideration of importance, bearing upon the propriety of such an investment by a trustee. The preferred shares of so-called stock were simply certificates of ownerships by the holders as equitable tenants in common of a large amount of property to be managed by trustees. Such associations have no statutory recognition. They are not corporations, although they are organized with a view to exercise many of the privileges of corporations without assuming their statutory liabilities. If certain kinds of disputes should arise in regard to the ownership of property, or the management of the business of such an association, the simple modes of procedure provided for corporations would not be open, and remedies could only be obtained through a court of equity, and sometimes only by complicated proceedings to which a very large number of persons might be necessary parties. In an enterprise like that engaged in by this association, we think the form of the organization and the relations entered into by a purchaser of preferred shares, should have been considered by a trustee as an additional reason for declining to become a joint proprietor in the business of operating a number of street railways through rural districts.

"Upon the facts before us, we think that the investment was not made in the

exercise of a sound discretion, and that the trustees should be held accountable for the loss from it.

"It often has been held that the advice and opinions of the others, however skilled in matters of finance, will not relieve a trustee from liability for making an investment which a sound discretion should have avoided. See cases above cited.

"Account disallowed and case remitted to probate court for further proceedings.

Stop Orders

How Far Away Should They Be Placed

"IT'S all right to advocate the use of stop orders," said a trader, "but how can one judge *where* to place the stop?"

That depends upon the character of the market and the activity of the stock you are trading in. No general rule will suffice.

Addison Cammack, and a host of traders, big and little, have sworn by the two point stop. "If you're wrong," sings the chorus, "you may as well be wrong for two points as ten." And the chorus seems to be pretty near right so far as average markets are concerned.

A friend of mine who has carefully looked into the subject says a two point will serve better than a one, three, four or five point stop taking the year through. His opinon is based on average results in activity and doldrums, panics and booms. His tabulations prove the two point stop is better than any other.

Based on activity alone, a two point stop on Reading would be the equivalent of a half point stop on Steel, while a ten point stop on Lackawanna would simply be a notice to the specialist as to where you wanted to get off and—he'd get you off.

A stop that will give fair protection on an active stock in certain kinds of markets wouldn't do at all in those of another character. This is where careful judgment is required. It also makes a heap of difference whether you are a shrewd buyer, making your purchases on dips or whether you "reach for them." If a stock is swinging within a range of 3 or four points and you buy at or near the bottom of the swing, a two point or even a one point stop is all that is required.

The closer you can get your stop (with safety) the better, until the stock gets away from your purchase price. If fortunate enough to have it run in your favor two or three points it is best to stop at cost. The most successful traders follow this plan—they never allow a profit to run into a loss.

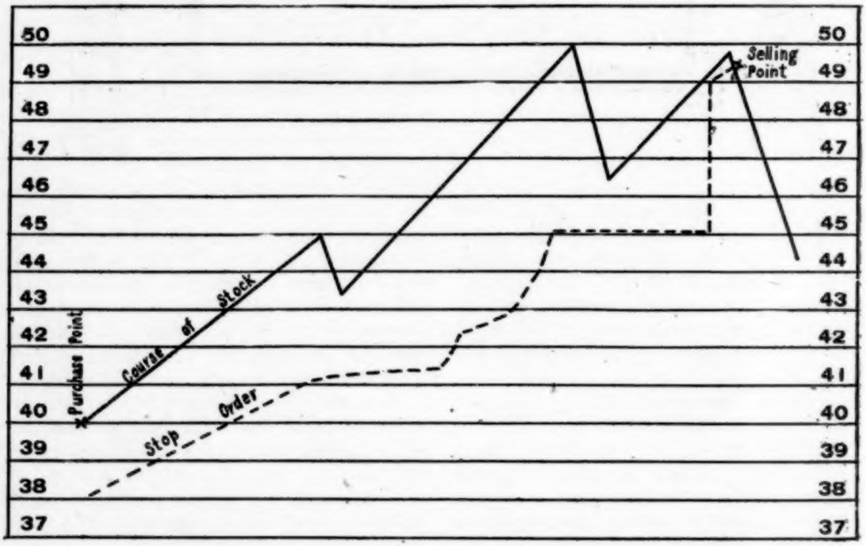
After this point has been reached, however, and the trade stands to win much and lose nothing, it is well to be more generous with the stock and not get your stop order too close. Give it plenty of leeway. For if you have got in right and your stock is enjoying a substantial advance, it will widen its swing to an extent that will endanger a stop which is moved up mechanically.

Take an issue which is being manipu-

lated up ten points: The first five points may be covered without a two point reaction and after resting awhile the remaining five may be traversed in like manner; but when the top is reached and heavy selling begins, there may be a break of three or four points. This will be followed by a rally up to within a fraction of the former top.

Now if one were playing this, and had made his original purchase at 40, his stop orders should be placed as follows:

When	stock	is bought	at	40	place	stop	at	38
"	"	touches		42½	"	"	"	40
"	"	"		45	"	"	"	41
"	"	"		46	"	"	"	41½
"	"	"		47	"	"	"	42
"	"	"		48	"	"	"	43
"	"	"		49	"	"	"	44
"	"	"		50	"	"	"	45



How a stop order should be moved up to secure maximum profits.

If the rise is over it will have a dip to 47, or 46 and then bulge up to 49½ to ¾ again. This is your cue to get out and go short, for it usually indicates that the rise is over and distribution has begun. The three or four point reaction shows unloading by insiders who also wish the stock to back up to catch those who only buy on breaks.

Some might ask, "Why let it react and endanger your profit when you could have closed out at 50?" The answer is, you do not know that 50 is top. The substantial reaction indicates the end of the rise and in ninety cases out of a hundred the stock will come back close to the top again.

On this bulge you can move your stop up to 49 as soon as it has crossed that figure. If it hesitates and comes back from 49⅝ or ¾, falling short of the first top, it should be sold at the market, as the second break is usually very rapid and frequently extends to 50 or

60% of the original advance. If it's time to sell your long stock, it is also time to go short, with a stop order at about 50¼ or 50½.

The fundamental principle in the use of stop orders lies in this: Only a thin edge is shown to the enemy (Losses) and an advantage once gained you hold it.

Whenever I see a trader operating without a stop order and with his only ten points margin up on a deal, there comes to my mind a picture of a small boy in birthday costume, emerging from the water into a crowd of other kids armed with shingles and looking for something to swat.

There are times when a stop of one-eighth or a quarter will be safer than a two point stop. If you remember, a few years ago, the Pennsylvania Railroad brought out a new issue of stock which was underwritten at 120. It was an open secret that the stock would be pegged at that figure and unlimited orders to buy these were placed on the floor. Many clever people made money with little risk by purchasing at 120⅛ and stopping at 119⅞.

Again when the Interborough was being supported at 50, a stop at 49⅞ was as good as a stop at 48. Everyone knew that when it broke 50 it would go down where it belonged. A few clever operators placed orders to sell it short at 49⅞ stop.

In pyramiding the stop order is invaluable; it enables the operator to maintain a position of safety while increasing his possible profits. At such times the stop should be kept at a point represented by the average cost of the entire line. An individual stop behind each lot will not do. For instince, it you buy 100 shares at 30, 100 at 32, and 100 at 34, your average will be 32. As soon as your 34 stock is bought, your stop should be brought up to 32 (or 32¼ to cover commissions). To quote Dickson G. Watts, one of the most successful traders in the cotton market, "Failure to close out at the point of average, destroys the safety of the whole operation."

Some people are foolish enough to cancel their stops when danger appears. This is the height of folly. A stop order is used as a protection from danger (loss). Railroads place gates and warning signs *at* the crossings—not miles away. The time to "*Stop,* Look, Listen" is when you are approaching the track and hear the train coming.

Stop orders should seldom be used in stocks in which the quotations are wide. An inactive issue which is quoted 70 @ 75 would be a highly unsatisfactory one in which to execute a stop. For it must be borne in mind that

> *A stop order becomes a market order as soon as a hundred shares or more are sold at the stop price.*

Therefore, if the above stock were bought at 80 and a stop placed at 75, a sale at the latter figure would make the stop operative. Your broker would be obliged to sell at the best obtainable bid which might be 70. It can thus be seen why stop orders are used with best effect in stocks having broad and active markets, such as Union Pacific, Reading, Steel, etc. The best bid in these securities is usually only ⅛ away from the last selling price.

INQUIRIES

What do you wish to know about trading or investing in securities or commodities?

Is it something regarding opening an account, margins, commissions, stop orders or other kinds of orders?

In fact, is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated?

If so, write us questions briefly and they will be answered in this column or otherwise If personal reply desired, enclose stamped envelope. Address Inquiry Department.

WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS.

Q.—In your June TICKER, page 92, you advise putting up stock certificates as margin. I have been trading this way for some time. You state, that in case the house fails, I could recover my certificates upon payment of the balance due the firm. Now whenever I put up my stock certificates for margin, I have to transfer them to the firm by signing my name on the back of the certificates, the same as if I had sold the stock. In return, I receive a receipt like this: "Received of ——— the following certificates (number, amount and name of stock), account of margin." On the upper left hand corner of the receipt is printed: "It is understood and agreed that all securities carried in this account or deposited to secure the same may be carried in our general loans and may be sold or bought at public or private sale, without notice, when such sale or purchase is deemed necessary by us for our protection." It seems to me that in case this firm should fail, I would not be able to get my stock back by paying the balance due the firm. Kindly advise me on this matter.

Ans.—In requiring your endorsement on such certificates, the firm is asking nothing unusual. Unendorsed certificates are of no value to them or to anyone else. The receipt which they give you carries with it *their understanding* of the status of your certificates, but they have no right to use the certificates as collateral for loans unless you give them written authority. So long as your margins are kept good and you comply with all their demands in this respect, the firm is obliged to return your stock or its equivalent, providing you pay up your debit balance. This holds good even in case of failure.

Q.—Is the method used by the "Analyst" (shown in your recent issues) very complicated and does it demand that the operator be an expert mathematician? What is your opinion of the method?

Ans.—It is so simple that it could be operated by a sixteen-year-old boy. No expert knowledge of mathematics is necessary. The plan could be stated in less than one hundred words. It will not get every move nor all of any move. It requires capital, nerve and patience to work it as losses must frequently be taken. It has been thoroughly tested out in our presence, and never yet have we found a time when it did not show handsome profits over a period of three or four months.

J. W. J. and others:—The Special Letters which are advertised herein or mentioned in our Free Literature list are usually issued for the purpose of calling attention to the merits of individual properties. Various motives actuate the houses issuing such letters, the chief one being a desire to set forth the merits of the respective securities. Thus the houses aid their clients and thereby benefit themselves. To be sure, such letters are occasionally issued at the request of insiders. As the sale of securities is the primary object in Wall Street, these letters serve a valuable purpose in such cases. In a sense, they "advertise the goods." This seldom applies to old established properties.

Q.—I noticed a peculiar action of U. P. during the month of June and have been wondering what it meant. It closed at 140¼ on Friday, the 29th of May; on Monday, June 1st, it opened at 141⅞, and in two days went up to 150. Then it fluctuated up and down between these low and high points until it sagged down to exactly the low point of 141⅞ on the 23rd of June. It has been going steadily up with slight reactions ever since. On the record it appears very mechanical—as though the operators did it all in a very mechanical, do as you please, sort of way. Can you explain it?

Ans.—Just previous to the rally you mention, U. P. experienced a rise of about 23 points. The decline to around 138½ was a natural reaction and the rally to 150, a secondary rise, or rebound as some people call it. Both before and since this time, the stock has been violently manipulated, the object of the insiders evidently being to help sentiment and to aid in the distribution of the U. P. Convertible Bonds. These, you will remember, were underwritten at 88, which is equivalent to 154 for the stock.

Q.—What is a fair interest rate for a broker to charge his customer who is carrying one to two hundred shares of stock, worth par or thereabout, as times have been for the past four or five months?

Ans.—A fair interest charge for such an account, during the past four or five months, would have been from four per cent. to five per cent., depending upon various circumstances, some of which are these:

If you are dealing with a New York Stock Exchange house at its main office in New York, it is reasonable to expect the lowest possible interest charge, as the house does its own financing and is able to borrow money cheaply on collateral, also to make stock loans, which give it the benefit of a slightly lower rate than that prevailing for call money. When you see call money quoted at 1 @ 1½ per cent., you are not warranted in believing that your broker's charge should be 2 per cent. or anything like it. A considerable portion of a broker's borrowed money must be carried in time loans at a higher rate, and 6 per cent. is always figured on the capital which he employs in the business. At the end of each month, the best regulated houses figure the average cost of all their money for the month and base their interest charges upon this average. Their most active accounts are given the minimum rate; that is, if the broker's cost averages from 3½ to 3¾ per cent., he will charge his most active accounts 4 per cent.; the inactive ones, say 4½ per cent., and the totally dead accounts, which amount practically to time loans with him, so far as he is concerned, he might charge 5 per cent.

If you are dealing through a house in another State, which does not clear its own stocks, but has its financing done by a New York house, you cannot get quite such a close rate. This is because the out-of-town house is obliged to pay the New York house a commission for executing orders and clearing transactions. It must therefore be compensated for its outlay, and justice demands that it be allowed to make a fractional profit on interest. As the trader who is located many miles away from New York can trade over these wires with the same facility as if he were in New York, he surely cannot "kick" on this proposition.

An Ottawa subscriber says:

"I am not a regular trader, but an occasional investor. I think it extremely wise of the TICKER to give no advice as to what stocks to buy. I fail to see how a TICKER reader can lose money if he governs himself by the principles laid down in the magazine."

J. W. E.—Nothing is certain in Wall Street, but if you will read the TICKER Magazine faithfully, you will find therein many plans which should show profitable results. Judging from your letter, you are not in a position to risk money. Those who cannot afford to lose should not speculate.

Q.—Kindly give in your inquiry column a short summary of the Emergency Currency Bill which was passed by the last Congress. I shall be glad if you will also state what the probable effect of this bill will be upon speculation, and if it will prevent panics, falling prices, etc.

Ans.—While there exists ground for criticism, the consensus among well informed bankers is that the bill will prove beneficial as a bulwark against money panics. The fact that $500,000,000 of emergency currency can be created under the provisions of this act is sufficient guarantee that no exorbitant rates for money will prevail during the next six years. The act expires by limitation June 30, 1914, by which date it will doubtless have been thoroughly tested out and its weak points strengthened.

There are many other kinds of panics besides those caused by tight money. The 1903 panic, for instance, was due to over-production of securities. If it were not for the effect on general business and the suffering to be endured by the working classes, the well trained trader or investor should welcome panics. Severe declines present the finest of opportunities on the bear side, while traders and investors alike make money on their "Bargain Day" purchases.

No law can ever be passed which will prevent falling prices. This is a matter of supply and demand.

The main points in the Aldrich Bill follow:

Section 1 provides that National Banking Associations, each having an unimpaired capital and a surplus of not less than 20 per centum, not less than ten in number, having an aggregate capital and surplus of at least $5,000,000 may form voluntary associations to be designated as National Currency Associations.

Not more than one such National Currency Association shall be formed in any city, but several members of such National Currency Association shall be taken, as nearly as conveniently may be, from a territory composed of a state or a part of a state, or contiguous parts of one or more states.

These associations have power to render available, under the direction and control of the Secretary of the Treasury, as a basis for additional circulation, any securities, including commercial paper, held by a National Banking Association, to an amount not exceeding 75 per centum of the cash value of such securities or commercial paper. Upon the deposit of state, city, town, county, or other municipal bonds, of a certain character, circulating notes may be issued to the extent of ninety per cent. of the market value of such bonds.

No national banking association shall issue circulating notes based on commercial paper in excess of thirty per cent. of its unimpaired capital and surplus. The term "commercial paper" includes only notes representing actual commercial transactions, which when accepted by the association shall bear the names of at least two responsible parties and have not exceeding four months to run.

The banks belonging to the association are liable to the U. S. for the redemption of such additional circulation; each bank is liable only in the proportion that its capital and surplus bears to the aggregate capital and surplus of all such banks.

The association may, at any time, require of any of its constituent banks a deposit of additional securities or commercial paper, or an exchange of the securities already on deposit to secure such additional circulation; and in case of the failure of such bank to make such deposit or exchange, the association may, after ten days' notice, sell the securities and paper at public sale, and deposit the proceeds with the treasurer of the United States.

Section 3 provides that national banking associations may make application to the comptroller of the currency for authority to issue additional circulating notes to be secured by the deposit of bonds other than bonds of the United States, not exceeding in amount 90 per cent. of the market value, but not in excess of the par value of any bonds so deposited, such market value to be ascertained and determined under the direction of the secretary of the treasury.

Section 5 states that there shall not be outstanding at any time circulating notes issued under the provisions of this act to an amount of more than five hundred millions of dollars.

Section 6 provides that so long as any national banking association has outstanding any of such circulating notes it shall keep on deposit in the Treasury of the United States, an additional sum equal to 5 per cent. of such additional circulation.

Section 7 provides that the distribution of notes to be issued under this act shall be made as equitable as practicable between the various sections of the country.

Section 9 provides that national banking associations having circulating notes secured otherwise than by bonds of the United States shall pay for the first month a tax at the rate of five per cent. per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax of one per cent. per annum for each month until a tax of ten per cent. per annum is reached; thereafter such tax of ten per cent. per annum, upon the average amount of such notes.

Q.—(1) Under what circumstances do you consider pyramiding advisable?

(2) Should a stop order be used with this method? If so, state the proper place to put the stop.

(3) Are additional purchases most usually made on advances of 1, 2, 5 or 10 points? That is, on which of these advances are purchases usually made? And why is this one generally selected?

(4) What book takes up this subject thoroughly?

I live over 200 miles away from the near-

est exchange and do not see the market quotations until the following day at noon. I wish a method which will apply to some such stock as Amalgamated Copper.

(5) At this distance, how would you draw up a buying order for a broker to proceed on this system?

Ans.—We advise active pyramiding only when the trader is in touch with the market, either by private wire or ticker. Continuous quotations and undivided attention are required. It is an especially risky way of trading owing to the frequent reactions which occur in bull and bear markets. Situated as you are, pyramiding cannot be done except on long swings.

A stop order should invariably be used in such operations. This may be two or three points away from the original purchase or selling price, but as the line is increased, the stop should be raised (1) so that the amount risked will not be increased, or (2) so that there cannot be a loss in the trade. For example, if you buy 100 Union Pacific at 150 with a two-point stop, your original risk is $227, including commission and tax. When it reaches $155, if you wish to buy another 100, your average cost is 152-¾ net on 200. Your stop in the first case would be 151⅝, and in the second 152¾. Stops should be figured on the average cost and not on the individual lots.

The Pyramids of Egypt were broad at their base and nothing but an earthquake could move them. A Wall Street pyramid is the reverse; its base is small and the more it grows, the more top heavy it becomes.

There is no rule governing purchases when pyramiding. We might remind you that there are two sides to the market, and if you intend to operate thus, better learn to play both sides or you will be tied up most of the time.

There is no book which exhausts the subject. The "A B C of Stock Speculation" and last November's issue of the TICKER contain ideas on pyramiding. We advise one in your position not to attempt pyramiding unless you make your trades five points apart and trade for long pulls.

In the case of Union Pacific as above, your instructions to the broker would read: "Buy 100 Union Pacific at 150 and stop loss at 148. If the stock goes to 155 before the stop is caught, you may buy another 100 shares at 155 and make the stop 151⅝ (or 152¾) on both lots."

When your second lot has been bought, your broker can wire you and it will then be time enough to figure out and place your third order and stop.

More important than all the above is a thorough knowledge of financial conditions, so that you may be able to select the right stock at the right time. And don't look upon stock speculation as a gambling proposition. It is a science and if you master it you will be repaid a thousand times.

Q.—Will you kindly give me the names of some of the houses which send the TICKER to their customers?

A.—We cannot consistently furnish these names as this would lead to a large number of applications from parties who are not clients of the houses in question. Perhaps your own broker is one of these. Better inquire.

New Publications.

FIFTY YEARS IN WALL STREET, by Henry Clews. Mr. Clews is to be congratulated upon his arrival at the half-century mark, as well as his authorship of the above work.

Having entered the Stock Exchange at a time when seats were worth but $500, his recounting of Wall Street events is highly interesting because written from the standpoint of an active participant.

Mr. Clews in a brief preface expresses his conviction that the theme is worthy of an abler pen. Perhaps this is a little fishing on the author's part. If so, let us ask, "Who is ablest? The thousands who might, but do not, or the one who can and does?"

The book is replete with early Stock Exchange experiences, descriptions of booms, panics and corners, sketches of spectacular leaders, glimpses of the stock market during war times and at other critical periods.

The author's views on money-making in Wall Street are especially valuable to readers of this magazine. He shows that those who wait for the right opportunities may realize as much as 50 per cent. per annum on their capital. The book is well worth studying, from an economic as well as a stock market standpoint.

In the school of Speculation and Investment the TICKER is primer, textbook and geography.

Ask an experienced trader what he will charge to teach you "the game," then compare his price with the TICKER, $3 a year.

The whole world IS investing or speculating in stocks. Preach against it as we may, the whole world IS playing "the game."—*Lawson.*

A certain man was left off the Board of Directors. He went to the banker and said: "Why is this thusly?" The banker replied, "You are known to be a gambler. You play the races." The man said to the banker, "You do the same thing behind closed doors." "What do you suppose doors are made for?" answered the banker.

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A stock well bought is half sold.

People who say "I told you so" are usually broke.

Manipulation means that someone is trying to make you pay him a profit.

When you make a loss, study why. Then avoid making the same mistake twice.

If your commitments keep you awake o' nights, reduce them to the sleeping point.

Cut your losses. Your profits will take care of themselves. (Provided you let them.)

If you master the language of the tape the secrets of wealth and power will not be secrets to you.

Two things have a swell chance to live—a snowball in Hades and a ten point margin in a panic.

If you ask advice of a broker and it turns out badly, don't roast him. Be fair. Kick yourself.

Don't use stop orders unless you are willing to have the majority of them caught. Better five two point losses than one of ten points.

Jake Field started with $200. and the ability to cut his losses. He has made millions. One of his mottoes is :—"Go with the market; don't buck it."

Of course if you'd rather guess, or gamble on a tip, it's your money, but don't look for sympathy if you meet your Waterloo.

When a stock is put upon the market the insiders are preparing to unload. If those who know most about a property wish to get out, why should anyone else get in?

If your money is in the savings bank or in an endowment policy you are an investor by proxy. Why not learn the rudiments, choose your own investments and increase your income.

Some say the ticker has no soul, but the fact that it prints the time of day every quarter-hour proves its consideration for those who had watches earlier in the game.

Speculation brings into play the best intelligence as to the future of values. It always has two sides. The one that is based principally on the facts and conditions of the situation wins in the end.—*Henry Clews.*

When a man says, "I can and will beat this market;" when he considers no work too arduous, and no sacrifice too great; when he concentrates all his efforts upon this one object, he is bound to win. What man has done, man can do.